Bogus debate
Why there won't be any tax cuts
Samuel Brittan, Page 16

Russia's mafiya
Jailbird gangsters and comrade criminals
Page 19

Muzak to the ears
Sales tool or noise pollutant?
Page 10

Bulgaria
A force for stability
Survey, Pages 11-13

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY OCTOBER 13 1994 — D8523A

Mitsubishi's $2bn trust bank rescue breaks barriers

Mitsubishi Bank, one of the world's largest commercial banks, announced a rescue takeover of the troubled Nippon Trust Bank in a move towards the consolidation of a Japanese banking sector crippled by bad debts. Mitsubishi will become the first Japanese city bank, or commercial bank, to operate a full trust bank subsidiary. It said it would buy Y200bn ($2.04bn) of new shares, giving it a 68.8 per cent stake in Nippon Trust from November 10. It is already the second largest shareholder, with 5 per cent. Page 19

Hongkong Telecom in China deal: Hongkong Telecom has agreed in principle a $300m investment to build networks in mainland China. The company will upgrade a cellular telephone network in Beijing and construct a 1,900-mile optical fibre cable system between the Chinese capital and Hong Kong. Page 7; Beijing battens down for tricky time ahead, Page 4; Canada plans for cable and telecoms freedom, Page 6

Portillo backs British sovereignty

British employment secretary Michael Portillo (left) established himself as the unchallenged leader of the Conservative right as divisions over Europe at the top of the party were exposed again at its conference in Bournemouth. Mr Portillo launched a fierce attack on interference from Brussels and a passionate defence of British institutions and sovereignty, saying: "Sometimes you have to tell Brussels when to stop". Page 18; Samnel Brittan, Page 16; Observer, Page 17

UK inflation level lowest for 27 years: The underlying rate of inflation in the UK fell to its lowest level for at least 27 years in September. Unemployment also fell for the eighth consecutive month, bringing the numbers claiming benefit down to levels last seen in 1991. Page 18 and Lex

Car sales rise in western Europe: West European new car sales rose by an estimated 3.8 per cent in September to 868,200 from 836,200 a year previously, according to the European Automobile Manufacturers Association. Page 2

Prudential seeks stake in Thai insurer: Prudential, the UK's largest life insurance company, is holding talks about its first significant acquisition in the Asian insurance markets, a 24.9 per cent stake in Thai Sethakit Life Assurance. Page 19

Tokyo hits Hoechst for extra taxes: Hoechst Japan, a unit of the German pharmaceuticals company, paid the Tokyo regional tax bureau a total of Y4.4bn ($44m) in additional taxes for allegedly transferring income taxable in Japan to Germany. Page 4

TWA mounts restructuring campaign: Trans World Airlines, US airline struggling to avert a financial crisis, started campaigning to win support for a sweeping financial restructuring that will nearly halve its debt. Page 22

Gardner Merchant 14% ahead: Gardner Merchant, largest contract caterer in Europe, reported interim profits 14 per cent up at 26.9m. The group was bought by its management from Forte for £402m in 1992. Page 25

Bulgaria faces elections: Bulgarian president Zhelu Zhelyev is expected to dissolve parliament and call general elections within the next two months after Mr Dimiter Ludzhev, leader of the small New Choice party, failed to get parliamentary support for a new government. Bulgaria survey, Pages 11-13

Audi to expand in Hungary: Audi AG, executive car division of Volkswagen of Germany, is planning to invest DM730m ($474m) over five years in a new engine manufacturing plant in Hungary. Page 20

Amec sells Engil shareholding: Engineering and construction group Amec sold its stake in Engil, the Portuguese construction group, for Es2.7bn ($17.1m). The UK group joins other international constructors, including Bouygues of France, pulling out of joint ventures in Portugal. Page 20

Ruffled feathers: A Swiss army plan to disband its 77-year-old carrier pigeon service to save SFr400,000 ($312,500) a year met with strong opposition from a group which plans to seek a referendum.

■ STOCK MARKET INDICES

FT-SE 100	3,100.5	(+27.5)
Yield	4.08	
FT-SE Eurotrack 100	1,333.83	(+3.38)
FT-SE-A All-Share	1,539.72	(+0.9%)
Nikkei	20,069.72	(+268.26)
New York lunchtime:		
Dow Jones Ind Ave	3,872.79	(-4.04)
S&P Composite	465.52	(-0.27)

■ US LUNCHTIME RATES

Federal Funds	4¾%
3-mo Treas Bills: Yld	5.103%
Long Bond	95½
Yield	7.876%

■ LONDON MONEY

3-mo Interbank	5⅞%	(5⅞%)
Liffe long gilt future	Dec 101⅞	(Dec 100⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.32	(16.57)

■ GOLD

New York Comex (Dec)	$388.6	(390.2)
London	$388.40	(388.25)

■ STERLING

New York lunchtime:		
$	1.582	
London:		
$	1.5806	(1.5815)
DM	2.4373	(2.4459)
FFr	8.343	(8.3643)
SFr	2.034	(2.0365)
Y	157.873	(158.664)
£ Index	79.9	(80.1)

■ DOLLAR

New York lunchtime:		
DM	1.54205	
FFr	5.2785	
SFr	1.2847	
Y	99.88	
London:		
DM	1.5421	(1.5466)
FFr	5.2785	(5.2889)
SFr	1.2868	(1.2877)
Y	99.885	(100.325)
$ Index	62.2	(62.3)

Tokyo close Y 100.15

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev50.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs50	Nigeria	Naira30	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr8	Kuwait	Fils525	Poland	Zl 38,000	Tunisia	Din1.500
Lebanon [illegible]	FFr9.50	Lebanon	US$1.50	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Esc225	UAE	Dh12.00

Allies split over Iraqi threat

France attacks US proposal for military exclusion zone to protect Kuwaiti border

By David Buchan in Paris, Mark Nicholson in Baghdad and Stewart Dalby in Kuwait

A rift opened between western allies yesterday over plans to contain the long-term military threat posed by Iraq, as thousands more US troops arrived to bolster Kuwait's defences.

Senior US officials seeking to win allied backing for a military exclusion zone in southern Iraq were strongly rebuffed by France. Russia and China are also believed to be unenthusiastic about the US proposal.

In spite of Iraq's claims that it had withdrawn all its forces from the border area, Mr Warren Christopher, US secretary of state, said in Kuwait yesterday that remaining troops still posed "an unmistakable threat". The US has refused to rule out a pre-emptive strike.

Mr Alain Juppé, French foreign minister, said his government was opposed to an exclusion zone, while Mr François Léotard, defence minister, argued that there was "nothing illegal in the movement of Iraqi forces inside Iraq". Iraq was not violating United Nations security council resolutions and Mr Léotard believed the deployment of US forces "was not unconnected to domestic politics".

However, he added: "We are demanding that Iraq recognise the international border with Kuwait," as laid down in UN resolutions. France was striking a "delicate" balance between recognising that Iraq had made some efforts to conform with some UN resolutions and being "intransigent" that Baghdad must in the end fulfil all such resolutions, Mr Léotard claimed.

US officials have not yet made public their proposals for a military exclusion zone, but it is thought likely to mirror the "no-fly" zone south of the 32nd parallel beyond which Iraqi aircraft risk being attacked by allied forces. Mr John Deutch, US deputy defence secretary, said yesterday: "There has to be an assurance that Saddam Hussein will not be in a position to threaten an attack again so easily in the future."

Mr Christopher arrived in Kuwait yesterday for talks with Mr Douglas Hurd, British foreign secretary, and the six-nation Gulf Co-operation Council. After the meeting, Mr Christopher said they stood shoulder-to-shoulder against Iraqi aggression and had agreed that the troop mobilisation should continue.

Almost 40,000 US troops are either in the Gulf or on their way there with another 155,000 on standby. Mr Christopher said the Gulf states had agreed to share the cost of the continuing deployment. Kuwait and Saudi Arabia, which paid out close to $100bn during the Gulf war in 1990-91, are again likely to be the main regional contributors. Their contributions will impose further strains on budget deficits.

Iraq remained adamant yesterday that it would not accept UN demands to recognise Kuwait until economic sanctions were eased. "We are besieged and the people are starving," said Mr Saddi Mehdi Saleh, parliamentary speaker and a prominent member of the government. "Recognise Kuwait? This is asking the impossible," he added.

Meanwhile, two senior Russian envoys have arrived in Baghdad to try to defuse the crisis and may be followed today by Mr Andrei Kozyrev, Russia's foreign minister.

Page 5
■ Allies could impose new curbs on Iraq
■ Russian envoys start Baghdad talks

Yeltsin sacks acting finance chief Dubinin

By John Thornhill in Moscow

President Boris Yeltsin yesterday sacked Mr Sergei Dubinin, Russia's acting finance minister, and demanded that parliament remove Mr Victor Gerashchenko, the central bank governor as he moved to defuse the political row over the collapse of the rouble, which has lost half of its dollar value in the past two months.

Mr Yeltsin called the 21.5 per cent plunge in the rouble on Tuesday a "threat to national security" and set up a commission, including the head of the federal counter-intelligence service, to investigate its "sabotage".

However, a rebellious parliament may not approve Mr Gerashchenko's removal when it votes on October 21. Parliament will also hold a vote of confidence on the government on the same day, and yesterday rejected Mr Yeltsin's veto on a law setting broad-based rules for passing next year's budget.

Mr Yegor Gaidar, former prime minister and leader of the Russia's Choice pro-reform party, warned that conservative opposition forces might try to manipulate events to destabilise the political climate and seize power.

Some senior economic policy officials believe that Tuesday's currency auction was rigged with the collusion of conservative ministers to discredit the economic reform process. Mr Victor Chernomyrdin, the prime minister, rushed back from his holiday in Sochi to discuss the economic crisis with his ministers. The rouble recovered ground yesterday, climbing from 3,926 against the dollar to 3,736.

Western economists in Moscow said the reform process had reached a critical juncture and suggested the government had to decide whether to tighten monetary policy and stop issuing cheap credits to industry and agriculture or revert to Soviet-style central economic management.

International financial institutions will view Mr Yeltsin's choice to replace Mr Dubinin as finance minister as an important indicator of the government's continued commitment to reform.

The strongly pro-reform Mr Boris Fyodorov, the former finance minister who quit the government earlier this year, is a candidate, receiving support in parliament yesterday. But Mr Fyodorov said in London that he

Continued on Page 18
Fyodorov's view, Page 2
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Kohl face to face with the voters

German chancellor Helmut Kohl surrounded by voters in the town of Demmin in Mecklenburg-Vorpommern ahead of Sunday's federal elections
Tax promises, Page 2 Picture: Reuter

Ex-Disney head joins Spielberg in new company

By Alice Rawsthorn in London

Three of the most powerful figures in Hollywood – Mr David Geffen, the billionaire music mogul, Mr Steven Spielberg, the Oscar-winning film director, and Mr Jeffrey Katzenberg, who recently resigned as head of Walt Disney's movie studio – are joining forces in a new entertainment company.

The company, which will open early next year, aims to compete directly with the leading studios – including Disney – by producing movies, animated films, television programmes, music and interactive entertainment.

Mr Spielberg, director of some of the most commercially successful films ever made, including *ET* and *Jurassic Park*, said: "This is a chance to do something that has not been done for 59 years since the last major movie studio was formed."

The three founders will own equal shares of the venture and will provide the initial funding. However, there was speculation among industry observers that they might soon seek external finance. Mr Tim Wallace, entertainment industry analyst at S.G. Warburg Securities in New York, said: "What will be really interesting is whether they team up with any of the telecommunication and computer companies that now want to buy into Hollywood."

The news ends weeks of speculation about Mr Katzenberg's future since he left Disney in August. Mr Katzenberg, 43, played a pivotal part in Disney's success since the late 1980s, culminating in the release of *The Lion King*, its latest animated hit which has already grossed $270m in the US alone.

Mr Katzenberg, dubbed the "Golden Retriever" for his nose for talent, quit after being passed over for the presidency. His partners are two of his closest, and wealthiest, friends.

Mr Geffen, 51, made his first million by the age of 25 and has since become a billionaire by investing the $710m he made in 1990 from selling his record company's share of the MCA enter-

Continued on Page 18

Brussels approves package to restructure Groupe Bull

By Emma Tucker in Brussels and John Ridding in Paris

The European Commission yesterday approved state aid totalling FFr11.1bn ($2.1bn) for Groupe Bull, clearing the way for a rescue package for France's lossmaking computer group and its eventual privatisation.

Mr Karel Van Miert, the competition commissioner, said the decision complied with EU guidelines on state aid for rescuing and restructuring companies, and that he was confident this would be a one-time, last-time payment.

The ruling will raise again the sensitive subject of state aid and the Commission's commitment to stop market distortions. However, the Bull case prompted less anger than a decision earlier this year to approve a capital injection of FFr20bn for Air France, the state-owned airline.

The Commission said that none of Brussels' 17 commissioners had opposed the payment. "Subsidies can have a positive effect on employment and competitiveness in Europe without damaging other business," the Commission said.

Rival computer groups expressed resignation at the Commission's ruling. "We have always said that are against state aid because we want a level playing field," said ICL, the UK computer group controlled by Fujitsu of Japan. But the company had not lobbied strongly in this case. "We have undertaken our own restructuring and are much further down the road than Bull," a spokesman said.

Pressure grows for tighter state aid rules........Page 2

Mr Gérard Longuet, the French industry minister, welcomed the decision and said the government hoped to privatise Bull in coming months.

"The green light from the Commission is an important step in Bull's recovery," he said. A tender would be launched over the next few weeks for financial and industrial groups seeking to take shares in the computer company.

The company, along with its state shareholder, is already engaged in negotiations with potential partners. Bull yesterday declined to comment on possible investors, although industry observers believe NEC could increase its 4.4 per cent stake in the French group. IBM, which holds 2.1 per cent of Bull's shares, has indicated it is reluctant to raise its investment.

Mr Van Miert said he was satisfied Bull passed five key tests on which he based his decision to allow the aid to be paid. These were that: the company must be restored to profitability within a "reasonable" time; measures must be taken to offset any adverse effects on competitors; the aid must be kept to the strict minimum needed; the restructuring plan must be implemented in full; and there must be detailed reports to monitor progress.

According to Bull, the restructuring measures, which include job cuts, the reduction of its Paris sites and the reorganisation of the company into separate profit centres, have already yielded results. In the first half of the year, losses were reduced to FFr843m compared with FFr1.98bn for the first half of 1993.

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Pressure grows on Brussels for tighter state aid rules

In the wake of the Bull case, the European Commission faces criticism for being too soft on subsidies, reports **Emma Tucker**

The European Commission's decision to allow the French government to pay Bull, the ailing French computer group, FFr11bn (£1.32bn) of state aid, will again put Brussels' record on ensuring fair competition under a critical spotlight.

It comes only three months after the commission allowed a vast capital injection of FFr20bn of state funds to the bankrupt Air France and, while the Commission argues that this latest case is different, this is bound to fuel criticism of Brussels' approach to state aids.

Mr Karel Van Miert, the competition commissioner, has always argued – realistically – that decisions on state aid cannot be taken in a vacuum. He takes the view that political and social factors have to be considered, as well as the likelihood of returning an enterprise to visbility, which he believes to be high in the case of Bull.

But there is concern among some in the commission, and certainly within industry that the commission is treading too softly, and that member states have become adept at getting their own way.

Following the succession of high-profile airline cases over the summer – handled by the transport directorate and not Mr Van Miert's competition directorate – pressure is growing for a change in the procedures for assessing state aids.

"At the moment we have a very heavy administrative system but with results that are not very convincing," said a commission official. "Industry is complaining about the lack of neutrality and transparency, the length of procedures, and the distorting effects of sectoral agreements covering areas such as textiles, synthetic fibres and cars."

A paper produced last month by the commission's industry directorate identified the need to tighten up procedures.

"Since the removal of internal frontiers (within the European Union), the risks of dominant positions and the distortions caused by state aid – which remain too great – are growing appreciably," it said.

One of the main problems identified in the paper was the need to make existing procedures more efficient and more transparent.

This theme was also taken up by the Confederation of British Industry in a pamphlet entitled *Controlling State Aid*. It argued that deadlines need to be set for the formal examination of state aid cases.

"The five years that passed before action was taken and decisions were reached in the Ilva Italian steel case was quite unacceptable," it says.

It also argued that recovery procedures for illegal aid needed to be tightened, citing the case of a Belgian textiles company which, eight years after a state aid payment had been found illegal by the European court of justice, had still not paid back the money.

On transparency, the CBI points out that at present it is difficult for interested third parties to contribute information or views at an early stage when the commission is considering whether there is in principle a case to answer.

The industry directorate says the same: "Third parties are not as involved in procedures as they are, for example, in merger cases. There should be more consultation."

Mr Nick Forwood QC, who specialises in state aid cases says: "Procedurally, it is still very much in the hands of the commissioners to decide what is in the interests of the community. The majority tend to perceive cases not in terms of competition, but more in terms of specific interests."

The second problem is that regional exemptions and industry agreements allow some state aid to go unchallenged.

"The instruction of state aid files is not neutral because you have a combination of sectoral and horizontal frameworks which lead to different treatments for different industries without any real justification," said an official from the competition directorate.

"It seems to me that hig investments made in regions where the levels of subsidy allowed are very high, have probably resulted in distortions of competition," said another official.

Similarly distorting are industry agreements covering sectors such as textiles, synthetic fibres and cars introduced originally for economic or serious structural reasons. "These are the result of special situations," said a commission official, "but they then seem to be kept for ever."

All these points are currently the subject of discussion in the industry and competition directorates but it is unclear yet whether new proposals will be put to the commission.

However, there is no denying that governments are getting better at presenting their cases on state aid in a way that allows them to "get around" Brussels. With the rate of negative decisions on state aids last year only 1.05 per cent, there is scope for the commission to tighten procedures and close some of the loopholes.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-September 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-Sept' 94	Share (%) Jan-Sept' 93
TOTAL MARKET	9,252,300	+5.0	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,474,900	+2.7	15.9	16.3
– Volkswagen	953,600	+0.4	10.3	10.8
– Seat	240,700	+17.4	2.8	2.3
– Audi	235,100	–2.5	2.5	2.7
– Skoda*	45,400	+10.8	0.5	0.5
General Motors#	1,196,000	+3.7	12.9	13.1
– Opel/Vauxhall	1,141,900	+3.2	12.3	12.8
– Saab**	38,800	+27.7	0.4	0.3
PSA Peugeot Citroen	1,180,800	+11.0	12.8	12.1
– Peugeot	710,300	+9.7	7.7	7.3
– Citroen	470,500	+13.0	5.1	4.7
Ford group#	1,114,100	+7.2	12.0	11.8
– Ford	1,104,300	+7.2	12.0	11.7
– Jaguar	7,800	–10.4	0.1	0.1
Renault	1,000,700	+7.9	10.8	10.5
Fiat group##	979,400	+3.7	10.6	10.7
– Fiat	768,100	+8.3	8.3	8.0
– Lancia	123,500	–6.7	1.3	1.5
– Alfa Romeo	77,600	–15.9	0.8	1.0
BMW group	607,000	+6.9	6.6	6.4
– Rover	305,900	+9.0	3.3	3.2
– BMW	301,100	+4.8	3.3	3.3
Mercedes-Benz	335,500	+29.3	3.8	2.8
Nissan	306,200	–3.3	3.3	3.8
Toyota	244,200	–4.2	2.6	2.9
Volvo	155,200	+20.0	1.7	1.5
Mazda	141,000	–9.9	1.5	1.8
Honda	133,900	+5.4	1.4	1.4
Mitsubishi	92,500	–18.0	1.0	1.3
Suzuki	59,000	–22.3	0.8	0.9
Total Japanese	1,028,300	–7.2	11.1	12.6
MARKETS:				
Germany	2,462,400	–0.8	26.6	28.2
United Kingdom	1,588,300	+9.5	17.2	18.5
France	1,434,200	+14.4	15.5	14.2
Italy	1,271,400	–7.5	13.7	15.6
Spain	682,800	+21.0	7.4	6.4

*VW holds 31 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

W Europe car sales up 3.8% in September

By Kevin Done, Motor Industry Correspondent

West European new car sales rose by an estimated 3.8 per cent in September to 868,200 from 836,200 a year ago, according to provisional figures from Acea, the European Automobile Manufacturers Association, released yesterday.

The pace of the recovery has slowed in the past three months chiefly because of the weakness of the German new car market, where sales are estimated to have fallen last month by 4 per cent year-on-year to 245,400.

In the first nine months new car sales in west Europe have risen by 5 per cent year-on-year to 9.25m, a modest recovery following a decline of more than 15 per cent in 1993.

Sales have risen strongly in France, Spain and Scandinavia, but have declined in both Germany and Italy. New car sales in September declined in seven of 17 markets across west Europe compared with falls in five markets in the first nine months.

Most significantly, a change in the system for reporting new car sales in Italy has revealed that previous Italian data had exaggerated the size of the domestic market by around 200,000 cars a year.

The previous use of figures for wholesale deliveries to dealers rather than domestic registration figures has distorted the size of the market by including the high volume of cars being re-exported from Italy to neighbouring countries.

Car prices in Italy are among the lowest in Europe following the devaluation of the lira.

The biggest impact of the new reporting system, which uses registration figures from the *Italian Ministry of Transport*, is on the Fiat group.

The Italian carmaker, which controls around 45 per cent of the Italian market, has now been relegated to sixth place in the west European market behind Renault of France.

At the end of the 1980s Fiat was challenging the Volkswagen group for leadership of the west European market, but the sharp decline in its fortunes along with the fall in the Italian market mean it now has the smallest market share of any of the big six carmakers.

According to the revised Acea figures its share slipped to only 10.6 per cent in the first nine months compared with the 10.8 per cent of Renault in fifth place and the 15.9 per cent of the VW group, the leader of the west European market.

Fyodorov in London yesterday: "drifting mediocrity" from Yeltsin — Trevor Humphries

Economic reform from Yeltsin needs a miracle, says Fyodorov

By Chrystia Freeland

Mr Boris Fyodorov, a former minister of finance and a long-standing critic of the present administration, yesterday said that "without some sort of miracle" President Boris Yeltsin's government was unlikely to undertake comprehensive economic reforms.

Some Russian ministers have suggested that this week's dramatic collapse of the rouble could be the prelude to a stabilisation programme, but Mr Fyodorov, a leading proponent of market reforms before he left the cabinet, disagreed.

"I think with the current government, all we can expect is a scenario of drifting mediocrity," Mr Fyodorov said. "I doubt whether there will be real reforms, whether real stabilisation will begin."

On these grounds, Mr Fyodorov, who has served as Russian representative to the World Bank, urged western countries and western financial institutions not to extend further credits to Russia.

"Who needs the money?" Mr Fyodorov, one of Russia's most respected economists, asked. "We have more money in Russia than in some western countries." Arguing that Russia is hobbled by a lack of political will rather than of capital, Mr Fyodorov said that by giving financial assistance to Mr Yeltsin's government, the west was repeating the mistakes it made in its dealings with the Gorbachev administration.

"It is like the late Gorbachev period, when everyone was throwing money at him to no purpose," Mr Fyodorov said. "You are supporting a person and forgetting the country."

As a long-time backer of radical market reforms, Mr Fyodorov has been a frequent critic of Mr Viktor Gerashchenko, central bank governor, whom President Boris Yeltsin sought to oust yesterday. But Mr Fyodorov dismissed Mr Yeltsin's move as "a search for scapegoats".

"The problem is not with Gerashchenko or with Dubinin [Mr Sergei Dubinin, the acting minister of finance who was sacked yesterday]," Mr Fyodorov said. "The question is whether there will be a reconsideration of the government's policies.

"I think Mr Gerashchenko is the best survivor, I don't believe he will be pushed out," Mr Fyodorov said.

While he is dubious about the chances the current government will be converted to radical market reforms, he suspects members of the administration have learned the principle of taking care of oneself.

Like other senior Russian politicians, Mr Fyodorov suspects significant insider trading took place when the rouble collapsed on Tuesday. "Some people may have been trying to help the budget," he said. "But other people were trying to help themselves ... I think many people may be planning to leave the government soon."

Mr Fyodorov also rejected the argument that the collapse in the rouble may help the economy by making Russian exports more competitive. "The rouble is undervalued now, and it was undervalued two weeks ago (before the recent collapse)," he said. "Its ridiculous when you have the GDP of a country the size of Russia that looks like the balance sheet of Barclays or Natwest."

But, notwithstanding his pessimistic outlook on Russian central government policy, Mr Fyodorov was confident that foreign investment would continue to flow into Russian industries with export capacity. Foreign investors were interested primarily in natural resources and in infrastructure, such as telecommunications.

Moscow's star wanes along with the rouble

John Lloyd measures reaction in Vladivostock to the currency's fall

The dollar was selling at 4,000 roubles in Vladivostock's banks yesterday and it cost Rbs4,300 to buy. At one point, it had a street price of 7,000, as rumours spread that Dialog Bank in Moscow had pushed the rate down to over 6,000, but *there were few takers*.

Russia's Far Eastern port, semi-detached from a capital eight time zones away across the Siberian tundra, reacts more nervously even than Moscow to falls in the currency. Its surface glitter is buoyed by trade – over 80 per cent of the cars are secondhand Japanese imports and the dowdy shops offer a profusion of Japanese, South Korean, Australian and US goods.

Mr Sergei Frank, vice president of the 160-vessel, Far East Shipping Company – the star stock on Vladivostock's active little stock exchange – says: "It's good and bad. Good because we are paid largely in dollars and our costs are largely in roubles, so we have just had a 30 per cent cut in our cost structure. But bad because it will hit imports and thus our trade: and it means continuing instability. We had forecast the rate of Rbs3,000-3,500 to the dollar by the end of the year, based on the ministry of the economy forecasts. We pay Rbs6bn a year in taxes for this for the politicians in Moscow not doing their job."

Other comments reflected this ambiguous reaction. Mr Andrei Malyutin, deputy head of the stock exchange, said: "This will be good for the exchange, especially for foreign investors. It will mean stocks here are even cheaper."

Mr Andrew Fox, a Briton whose Pacific Gemini company is the sole foreign company allowed to trade on Vladivostock's developing market, said: "A New York investor described the Russian market now as a 'lolly grab'. This just increases the size of the lolly grab."

However, Mr Nikolai Pimenov, the first deputy governor of the region responsible for its economy – and thus for the economic well-being of the more than three million citizens - was more gloomy. "It's just awful. All imports will cost 30 per cent more and our standard of living depends so much on imports because people don't buy Russian goods. A secondhand Japanese car is a third the price of a Russian Lada and there's no comparison in quality. Besides this must mean a rise in inflation."

The Far Eastern region has been flirting with thoughts of becoming an autonomous republic and, though serious opinion discounts the possibility, Moscow's failure to hold the currency played into the grievances of a peripheral nation which is testing its commercial strength.

German dentists bare their teeth in funding row

By Michael Lindemann in Bonn

Germany's dentists yesterday threatened to stop treating routine cases in a row over funding.

The KZBV, an organisation which represents two-thirds of Germany's 70,000 dentists, said its members would only handle emergencies because they had treated more patients than expected this year and would probably exceed their DM10.5bn budget for 1994.

So far only patients have been turned away but the news still made headlines in most newspapers, days before the Germans elect a new government.

However, whatever political capital the dentists were hoping to make may have misfired.

Politicians of all persuasions lambasted them for insensitivity. "The dentists seem to think that the last week before the election is a good point to try and blackmail politicians," said Ms Annelies Klug, the health ministry spokeswoman. "It seems they have been rather mistaken."

The dentists' threats are another in a long line of outbursts from various medical lobbies beginning to feel the pinch of the German health reforms.

The system has become world famous for its generosity. Everyone who is insured is, for instance, entitled to a spa trip, almost free of charge, once every three years.

But the system also caters for more far-fetched wishes. There is even provision for women who find their chest size disturbs them. If they can produce a letter from a psychologist which provides evidence of psychological distress due to breast size then whatever treatment is necessary can be charged to the Krankenkassen, or health insurance funds.

"People have ideas in this country about what they are entitled to which are simply too grandiose," said Dr Jürgen Simonsmeier, a dentist at the Medeco clinic in Bonn. "They've simply been incorrectly educated."

Now, as the country pulls out of its worst post-war recession there is a growing realisation that health insurance on this scale can no longer be financed.

The dental budget was one of the first symptoms of this new thinking, introduced for the first time last year when it became clear that the system was heading for a DM10bn (£4bn) deficit, according to Ms Klug.

However, many dentists warned yesterday they would be unable to work with budgets in the long run and that patients would simply have to pay for anything on top of the most basic treatment. "The all-or-nothing principle on which health insurance is based in this country is going to have to be reviewed," said Mr Christof Schumacher, the KZBV spokesman.

Voters find their imaginations taxed by spending plans

By Quentin Peel in Bonn

GERMAN ELECTIONS
October 16

The benighted German taxpayers have good reason to feel confused. Every party competing for their votes in the general election next Sunday is adamant that their welfare is of paramount importance. Yet the one certainty facing every taxpayer is that next year their bills will rise.

If the present government is re-elected, they know they will have to pay a swingeing "solidarity surcharge" of an extra 7.5 per cent on income tax to finance the soaring costs of German unification and the resulting debt burden. They have already had to pay a sharp increase in oil taxes this year, and there will be another increase in insurance taxation, property taxation and a new social security charge to pay for nursing care insurance from January.

In the past four years, since the general election in 1990, Chancellor Helmut Kohl's liberal-conservative coalition has raised the revenues from taxation and social insurance by DM116bn (£47.5bn) to a record DM750bn.

The exchequer has been hit not only by the costs of unification, with massive transfers from west to east of around DM150bn a year to pay for unemployment benefit, pensions, subsidising local government, and a huge investment in new infrastructure. Its tax revenues have been simultaneously squeezed by the sharp recession in the German economy over the past two years. And it now faces an accumulated debt burden which is absorbing 24 per cent of available tax revenues each year in interest payments alone.

The resulting series of sharp tax rises is what Mr Oskar Lafontaine, the finance-minister-in-waiting of Germany's opposition Social Democratic party (SPD), describes as "the great tax lie". For Mr Kohl and his Christian Democratic Union (CDU) had promised that German unification could be financed without any tax increases at all.

Mr Lafontaine and his party leader, Mr Rudolf Scharping, have deliberately raised the issue of taxation to the top of the election agenda in an effort to persuade the voters that they will be more responsible with the public purse than Mr Kohl and his finance minister, Mr Theo Waigel.

They describe their own plans modestly as "the biggest tax-cutting programme for normal income-earners and families in the history of the federal republic".

Their aim is to shift the tax burden from the lower-paid to the wealthy, without any overall increase in the tax take of the state. They would scrap the plans for a 7.5 per cent "solidarity surcharge" and replace it with a 10 per cent charge on the top one in five income-earners.

They would raise monthly cash payments for each child in a family to DM250, instead of the present system of tax allowances. And from 1996, they would raise the income tax threshold to a new "subsistence level" of DM13,000.

For a party traditionally associated with high taxation, and high welfare payments, it is a gamble. And the indications are that in spite of the government's sorry record, it may not pay off. Both sides are adamant that the other's figures do not add up. They are probably both right.

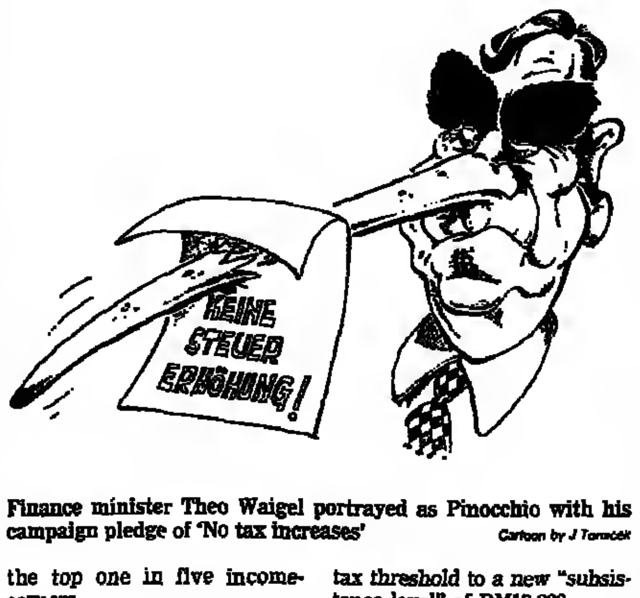
For a start, Mr Lafontaine and his allies accuse Mr Waigel of cooking his budget books, with secret plans for further increases in value-added tax and oil tax in the pipeline. The government has promised to take further action next year to reduce taxation on the business sector, as part of its drive to make German industry more internationally competitive. But Mr Waigel refuses to say how he will finance the new deal. He simply denies that he has any plans to increase VAT.

"We fear that the facts are so bleak, the government would rather say nothing until the election is over," says Mr Heribert Juchems, chief executive of the association of independent entrepreneurs.

As for the opposition, Mr Waigel maintains that in replacing the solidarity surcharge alone, Mr Lafontaine will be creating a financing gap of DM7bn. If he is to produce the same revenue as the government's 7.5 per cent tax increase, he will have to levy his 10 per cent charge on all incomes over DM44,000 a year, the finance ministry maintains. And that means hitting a large number of average income-earners, rather than simply the relatively wealthy.

The irony is that in seeking to be as precise as possible in spelling out his tax plans, and by insisting that he will not raise the government's net borrowing requirement, Mr Lafontaine appears to have frightened off as many voters as he has attracted. Both sides know that the pressures on the public purse can only get worse in the coming years.

Social spending in particular is in urgent need of reform because of the growing numbers of old people and the young, in relation to the working population. That will be the greatest challenge for the next German government. The taxpayer only knows it will cost more before it costs less.



Finance minister Theo Waigel portrayed as Pinocchio with his campaign pledge of 'No tax increases' — Cartoon by J Tomicek

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EUROPEAN NEWS DIGEST

Delors refuses to reveal plans

Mr Jacques Delors, the outgoing European Commission president, said in an interview yesterday with the newspaper, Libération, that be would make no decision on whether to run for the French presidency until his Brussels mandate ended on January 6.

This announcement came as an opinon poll for the first time put him level with the prime minister, Mr Edouard Balladur, in the crucial run-off vote for the presidency, while easily outdistancing the other Gaullist contender, Mr Jacques Chirac. The Socialist party is bolding a full party congress next month and then a mini-convention in December specifically to discuss wbat sort of platform it would like a candidate to run on in May. However, few in the Socialist party would complain if Mr Delors were subsequently to bend that platform to suit himself. In the current presidential "phoney war" no mainstream contender wants to make his candidacy formal and thus open to attack from all rivals. Mr Delors' asset at the moment is the cast-iron pretext for silence that his Commission presidency gives him until January. *David Buchan, Paris*

Russian defence budget $79bn

Russian defence spending is much higher in real terms than previously estimated, according to new calculations released yesterday by the International Institute of Strategic Studies. The 1994-95 edition of The Military Balance, the London-based think-tank's authoritative annual survey of the armed forces and weapons throughout the world, asserts that "Russian defence budgets have been effectively static in real terms" since 1992, "with perhaps a small increase in 1994". This contradicts assessments of real decline in defence budgets based on the evidence of GDP decline in official statistics – estimates which have been "cautiously supported" by the International Monetary Fund. The institute has roughly doubled its previous estimates for the 1992 and 1993 Russian defence budgets to $74.6bn (£47.2bn) and $76.6bn, from $39.7bn and $29.1bn respectively, by using a new measure of purchasing-power parity. For 1994, it gives a figure of $79.0bn, adding that "since the defence budget does not cover all military-related activities, this estimate represents the low end of a range of possible expenditures". But even this low estimate makes Russian military expenditure "in real terms substantially higher than that of any country apart from the US", whose 1994 defence outlay is, bowever, more than three times as high ($280bn). *Edward Mortimer, London*

Berlin-Moscow road-rail deal

Work on upgrading road and rail links along a 1,800km corridor between Berlin and Moscow is to be co-ordinated by the European Commission and the four governments involved under an agreement reached this week. Delegations from Germany, Poland, Belarus, Russia and the Commission have signed a memorandum of understanding intended to ensure that European Union support is properly targeted and to encourage private sector involvement. The proposal to improve roads and railways and build better border crossing points could cost between Ecu5.4bn (£4.2bn) and Ecu9bn and has already attracted considerable interest from banks, the Commission said. Priority projects in the scheme are road and rail links between the German border and Warsaw, the railway between Warsaw and the Polish/Belarus border and the border crossing between Poland and Belarus, where the railway guage changes and long delays occur. Work has already begun on some parts of the corridor, but some parts of the scheme will not be completed before 2010. *Charles Batchelor, Transport Correspondent*

Brussels seeks to validate pact

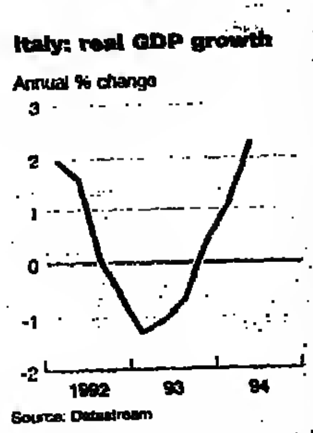
The European Commission has asked the Council of Ministers to give its approval to a three-year-old anti-trust agreement between the EU and the US government, after the European Court of Justice ruled it was void. The agreement, designed to promote co-operation between competition authorities in the US and the EU, was recently used to modify certain practices by the US computer group, Microsoft, after both parties agreed that these violated competition law. Originally concluded by the Commission, the court ruled in the summer that the agreement was void, as it sbould have been concluded by the Council of Ministers. France, backed by Spain and the Netherlands, launched tbe court action, arguing that for an international agreement signed with another government, it was not the Commission's place to represent the EU, but rather a matter for the member states. The European Court is also considering wbether the Commission or member states have the power to negotiate in certain trade areas – such as transport, services, and intellectual property rights. The outcome of this case should allow EU ratification of the Uruguay Round trade treaty before the end of the year. *Emma Tucker, Brussels*

European aeronautics accord

Seven European aeronautics research establishments have signed an association agreement to strengthen Europe's aeronautical technology base, the European Commission announced. The agreement contains an action plan for either civil or military uses, aiming to develop and execute joint researcb programmes and technology acquisition projects, to rationalise resources by co-ordinating use and investment in major facilities for common European needs, and to exchange qualified personnel, it said. Mr Antonio Ruberti, research and development commissioner, said the establishments should now join in aeronautical research supported by EU technology grants. The seven are Centro Italiano Ricerche Aerospaziali of Italy, Deutsche Forschungsanstalt für Luftund Raumfahrt of Germany, Defence Research Agency of the UK, Flygtekniska Forsoksanstalten of Sweden, Instituto Nacional de Tecnica Aerospacial of Spain, Nationaal Luchten Ruimtevaartlaboratorium of the Netherlands, and Office National d'Etudes et de Recherches Aérospatiales of France. *AFX, Brussels*

ECONOMIC WATCH

Italy's growth exceeds forecasts



The Italian economy grew at 2.3 per cent during the second quarter, confirming the strength of its broad-based recovery. The figures, published yesterday by Istat, the official statistics institute, compare with a first quarter GDP growth of only 1.5 per cent. The change of pace between the two quarters is the fastest in the EU, and suggests the macroeconomic projections in the document accompanying the 1995 budget are understated. The document forecasts growth will reach 2.7 per cent next year and 2.8 per cent in 1997. It is also counting on 3.5 per cent inflation this year and 2.5 per cent next year, but the trend of August and September prices makes this look unrealistic. The accelerated growth is attributed to the return of domestic demand. Since late last year the recovery has been exclusively export driven. *Robert Graham, Rome*

■ The continued weakness of French inflationary pressures was demonstrated yesterday by the announcement that the annualised rate of inflation in September slipped to 1.6 per cent, compared with 1.7 per cent in August. The figures were based on a 0.3 per cent increase in consumer prices in September, compared with a 0.4 per cent increase in the same month last year. The French government is forecasting an inflation rate of about 1.8 per cent by the end of this year and a rate of 1.9 per cent in 1995. *John Ridding, Paris*

Serbs await 'Slobo' v 'Rado' contest

Serbia's President Milosevic is gambling on an early victory, write **Bruce Clark** and **James Whittington**

Half a century ago, the founder of modern Yugoslavia, Marshal Tito, astonished the world by breaking with Moscow and turning the apparatus of Stalinist repression against his comrades who remained loyal to the Soviet dictator. Now Serbian President Slobodan Milosevic, the most formidable politician to emerge from the ruins of Tito's state, is attempting a political conjuring trick thet is equally audacious.

Having built a large following, and an iron grip on the reins of government, by playing tha nationalist card, Mr Milosevic has changed tack and is now staking his future on reconciliation with the other ex-Yugoslav republics and the world.

The president, who once seemed to enjoy the role of international pariah, is now basking in the approval be won by accepting a partition plan for Bosnia and severing most links with his kinsmen there. Pro-Milosevic politicians and journalists who formerly trumpeted the slogan of a Greater Serbia have adjusted rapidly to the new dogma – it was never feasible to unite all Serbs in a single state.

Professor Mihajlo Narkovic, an ideologue of the president's nationalist movement, now says it was "too optimistic" ever to suppose that the Serb minorities in the other Yugoslav republics could assert the rights to self-determination.

In the new atmosphere, few would be surprised if the president were to recognise the government of Croatia – even at the price of surrendering some of tha Croat territories now under Serb control.

The president's transformation has placed him on a collision coursa with the Serbs' other political strongman: Mr Radovan Karadzic, the Bosnian-Serb leader, who opposes the peace plan and has virtually been abandoned – at least for now – by his erstwhile protectors in Belgrade.

The immediate cause of this rift is the plan, which would force the Bosnian-Serbs to surrender a third of the territory they control; but there is also personal antipathy between the two men, and rivalry for moral leadership of the Serbs.

Mr Karadzic, who was portrayed previously in Belgrade as the defender of an embattled community, has been frozen out by the city's officially-guided, pro-Milosevic media.

One of Belgrade's toughest nationalist politicians, Mr Vojislav Shefhel, has been arrested, and there have been several compulsory retirements in the upper ranks of the army, where senior officers have close links with Bosnian-Serb commanders.

Serbian president Slobodan Milosevic (left) and Bosnian Serb leader Radovan Karadzic: once much together but now on collision course

All these moves should shore up Mr Milosevic in his new role of conciliator. But he is still taking a big gamble.

If he succeeds, he could be held up as the man who guided the Serbs back into the European mainstream. If he fails, he could be branded as a cynic who sacrificed his fellow Serbs in Bosnia and Croatia.

In Pale, the straggling village which is "capital" of the Bosnian Serb republic, there is bitterness and disbelief at the community's apparent abandonment by Belgrade. So far, there is a reluctance among Pale's residents to blame Mr Milosevic personally.

"The Americans were putting pressure on Milosevic and he could not continue the back-up," says Mr Slavisha Rakovic, one of the 250 government officials who rub shoulders witb soldiers, peasants and farm animals on the narrow streets of Pale.

Officially, the Bosnian Serbs are preparing a self-sufficiency plan which will enable them to fight without Belgrade's help. But privately, they acknowledge this is impossible. "Let's be honest, we can't survive without Serbia," said one official in Pale.

Since Mr Milosevic closed the border with Bosnia, the crisis in Bosnian-Serb territory has risen, and the shops look bare. There is only a handful of vehicles on the road, and ironically, people rely on Croat smugglers for fuel. Yet so far, the plight of the Bosnian Serbs is not doing much damage to the standing of Mr Milosevic, because his control of the Belgrade media helps keep this issue out of the public eye.

Mr Milosevic is also widely believed to be meddling in the politics of the Serb community in Croatia, boping to remove obstacles to a reconciliation with Zagreb.

One of the trump cards of Mr Karadzic is that he controls supply lines between Belgrade and many Serb-controlled towns in Croatia. But he loses this advantage if Mr Milosevic makes peace with Zagreb.

Critics of Mr Milosevic insist that he will pay a beavy price for abandoning his kinsmen in Bosnia and Croatia. "Milosevic does not hava support for his new policy . . . most people are against the embargo on the Bosnian-Serbs," says Mr Vajisrav Kostunica, a nationalist politician in Belgrade. He sees the church and the army as forces of resistance to the new policies of Mr Milosevic, whose power base is strongest in the police.

Mr Kostunica warned that the army already had reason not to be satisfied, including the fact tbat the police had been treated better than them.

He thinks Mr Milosevic is afraid to call an election. Yet ultimately, the president's best hopes may lie in the deferential attitude of many Serbian voters, who have succumbed to his propaganda before and may be persuaded that whatever "Slobo" says, goes.

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THE WELSH ADVANTAGE

NEWS: INTERNATIONAL

Israeli kidnap puts peace in jeopardy

By a Correspondent in Jerusalem

The delicate process of Israeli-Palestinian reconciliation was facing its gravest test last night, in a crisis over the kidnapping by Hamas extremists of an Israeli soldier.

Israel's prime minister, Mr Yitzhak Rabin, made clear that he was holding Mr Yassir Arafat, the PLO chairman, personally responsible for the fate of 19-year-old Nachshon Waxman. The soldier was kidnapped close to Israel's Ben-Gurion airport outside Tel Aviv on Sunday, and is believed by Israel to be held in the Palestinian autonomous area of the Gaza Strip.

The kidnappers, who announced on Tuesday they were holding Mr Waxman, have said they will kill him tomorrow unless Israel releases dozens of Palestinian prisoners, including the Hamas leader Sheikh Ahmad Yassin.

The crisis marks a moment of truth in the Israel-Palestinian autonomy process, with Hamas clearly seeking to derail the peace accords, undermine Mr Arafat's authority in the occupied territories, and provoke greater opposition inside Israel to the moderate Rabin government.

Adamantly opposed to any accommodation with Israel, Hamas already appears to have achieved at least some of its objectives.

Israel has suspended its negotiations in Cairo with the PLO on the next stages of the autooomy process, and fuelled further discontent among Gaza's Palestinian labour force by clamping a closure order on the Strip that prevents workers going to their jobs in Israel.

Mr Rabin and Mr Arafat are reportedly to ba named as the joint recipients of this year's Nobel Peace Prize tomorrow, in recognition of their efforts to resolve the decades-old Israeli-Palestinian conflict.

Mr Rabin spoke several times by telephone to Mr Arafat yesterday, noting that he considered the PLO's leader's Palestinian self-governing authority in Gaza to be responsible for the safe return of the soldier, urging him to institute searches, and telling him that he regarded the crisis as a "true test" of Israeli-Palestinian relations.

Israeli ministers indicated that, were the crisis to end in Mr Waxman's death, there could he serious consequences for the future of the autonomy process. "If the autonomous areas turn into a shelter for murders," said Mr Amnon Rubinstein, education minister, "Israel cannot be expected to expand those areas."

Mr Arafat condemned the kidnapping and bald a rare meeting with Hamas leaders. But several of his spokesmen issued statements denying that the soldier was being held in Gaza.

Responsibility for Mr Waxman's kidnapping has been claimed by the military wing of Hamas, which also took credit for a shooting spree in central Jerusalem on Sunday, during which two people were killed and more than a dozen injured before the gunmen were themselves slain.

Yesterday, the kidnappers released s video showing Mr Waxman, who holds dual US-Israeli citizenship and who was drafted into the army six months ago, pleading for his freedom.

Looking dazed bnt controlled, the close-cropped, uniformed soldier urged the Rabin government to meet his captors' demands. "I ask you, do what you can, so that I can get out of here alive," he said in low, emotionless tones.

Publicly, Israeli officials have ruled out any capitulation to the kidnappers. But experience suggests that there might be some willingness to negotiate.

Mr Nabil Sha'ath, head of the PLO delegation to the suspended autonomy talks in Cairo, said last night that it was "unfair" of Israel to have broken off the negotiations, and Israel was playing into the hands of extremists.

Israeli officials made clear that the talks, focusing on aspects of planned Palestinian elections had been postponed rather than called off.

Scuffle between Palestinians put under detention in the Gaza strip yesterday by Israelis *Reuter*

Beijing battens down for tricky time ahead

Rumours are feeding anxiety, writes Tony Walker

Beijing, in these mellow autumn days, conveys an impression of orderliness with the usual parade of visiting dignitaries shuffling through the Great Hall of the People.

Chinese leaders are conspicuously conducting business as normal, receiving visitors, holding meetings, embarking on overseas trips, axhorting the masses to greater endeavour, while steadfastly avoiding in public the issue of the day – the failing bealth of the senior leader, Deng Xiaoping.

Beneath the apparent calm the mood in the capital and in other centres is skittish. Speculation is intense about the condition of Mr Deng, which is said to have worsened considerably since mid-year.

Among indications of the high degree of anxiety were the wild gyrations last week of the Shanghai stock exchange, where the index plummeted by 40 per cent before recovering most of the lost ground on Friday, after the Foreign Ministry issued a statement to the effect the Chinese patriarch was in "good health".

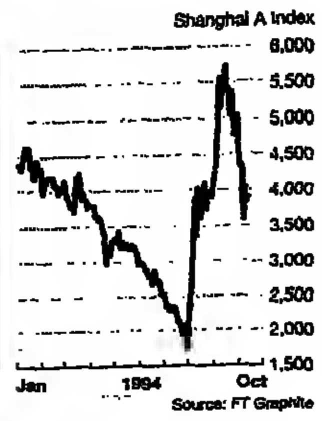
While this routine bulletin calmed the markets momentarily, it will not stop the endless rumours which clearly have become a factor in Chinese political life, complicating a smooth transition from one generation of leaders to the next.

Inevitably policy pronouncements, personnel changes and even the vaguest utterances by the leadership are being viewed through the prism of what they mean for the post-Deng era. A political transformation has been under way for some time, but it is accelerating as the moment for Mr Deng's demise draws nearer.

Thus, the recent fourth plenary session of the 14th Central Committee was notable not for any significant new initiatives, but for the impression given that the ruling party was seeking to batten down the hatches in preparation for what promises to be a difficult time ahead.

Chinese jitters

Deng Xiaoping



Source: FT Graphite

The plenum resolution, Major Issues on Strengthening Party Building, hardly smacked of self-confidence at an uncertain moment. The concerns expressed indicated deep misgivings about the state of the organisation and its 54m members.

"Tha Party", tbe plenum document stated, "must be capable of re-organising, enhancing and upgrading itself under the new situation of reform and opening-up, and conscientiously study and solve tha new contradictions that crop up during its self-building".

While the resolution made tbe required references to ideology, tbese lacked conviction. The document also provided no sense that the party had decided the time was ripe to strike out in new political directions to cope with the momentous economic and social changes under way.

Chinese leaders may be seeking to convey the impression that it is "business as usual" in Beijing by continuing to engage in a welter of high-profile diplomatic activity, but it seems the reform momentum is slowing for the time being, pending Mr Deng's departure from the scene.

Observers were surprised that the party plenum failed to address economic questions, suggesting this indicated divisions in the leadership on issues such as the pace of reform of faltering state enterprises.

Worries about inflation, which bas been running at about 30 per cent in the cities, are casting something of a pall over the reform effort.

The strange "end of an era" mood in Beijing was exemplified last week with the convaning of a four-day symposium marking tbe 2,545th anniversary of the birth of Confucius, the sage vilified during the Cultural Revolution of the 1960s and 1970s as the patron of a "slave-owning" aristocracy.

Now, Confucius is being hailed by the Chinese media as an exemplar of the standards to which society should aspire. Even People's Daily, the party newspaper and leader in its day of the campaign to excoriate Confucius, joined the chorus.

Commending Confucian values of filial piety and altruism, the paper warned that "money worship" was eroding the values of society, and morality bad "lost its sacred meaning".

It is perhaps revealing of present uncertainties that as Mr Deng, veteran communist and father of a modernising state, shuffles from the stage, the Confucian legacy is being rehabilitated.

These odd cross-currents seem set to continue for the time being.

Tokyo hits Hoechst for Y4.4bn extra tax

German company is appealing against assessment of transfer price manipulation

By Michiyo Nakamoto in Tokyo

Hoechst Japan, a unit of the German pharmaceuticals company, has paid the Tokyo regional tax bureau Y4.4bn ($44m) in additional taxes for allegedly transferring income taxable in Japan to Germany, it was disclosed yesterday.

The Japanese tax authorities charged Hoechst with the additional taxes, claiming the company had shifted Y6.4bn in taxable income to Germany between 1990 and 1992. It did so by paying more than reasonable sums for raw materials the Japanese unit imported from its German parent, the tax authorities allege.

Hoechst has denied the charge and countered that the Y4.4bn it has had to pay represents double taxation, since its parent company has already paid tax on the same amount in Germany.

"We do not believe this is fair treatment. We do ... not accept tbe tax statement," Hoechst said yesterday. The company was not making any more profits than leading Japanese pbarmaceutical companies but its gross profit ratio was in line with the average.

German and Japanese tax officials are discussing the issue after Hoechst initiated procedures as stipulated by an agreement the two countries have to avoid double taxation on profits made by companies operating in both countries. The German company was required to pay the extra taxes before it could appeal.

Hoechst's additional tax burden in Japan was disclosed as tax authorities from the US, Canada, Australia and Japan gathered in Sydney to discuss the application of transfer price taxation. Under this, companies suspected of transferring profits to the parent company through excessive payments for materials and royalties are subject to additional taxes.

The Japanese tax authorities have become increasingly aggressive in charging foreign companies with extra taxes. Ciba-Geigy, the Swiss pharmaceuticals group, has been charged with an Y5.7bn in additional taxes, while Coca-Cola (Japan) this year suffered a Y15bn tax penalty.

The Japanese stance comes amid concern that tax revenue will fall short of the government target. Corporate taxes have been adversely affected by Japan's weak economy over the past few years.

The Japan Research Institute, a private think tank, for example, is forecasting a Y1,000bn shortfall from the government's target of Y13,800bn in corporate tax revenue for this fiscal year.

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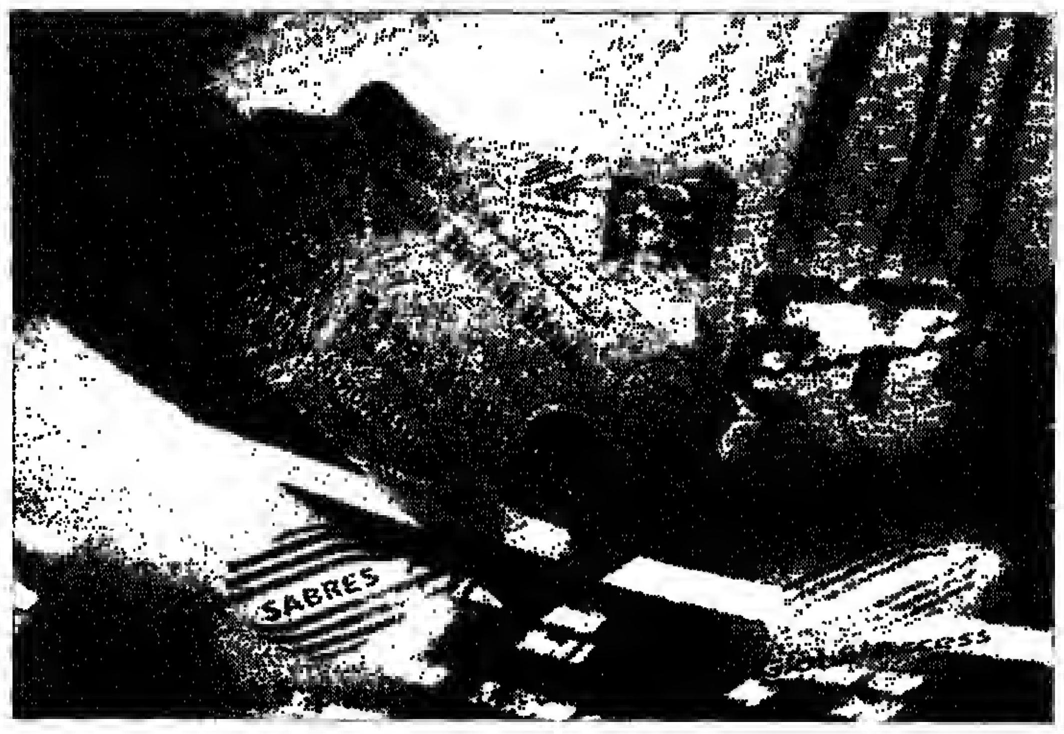

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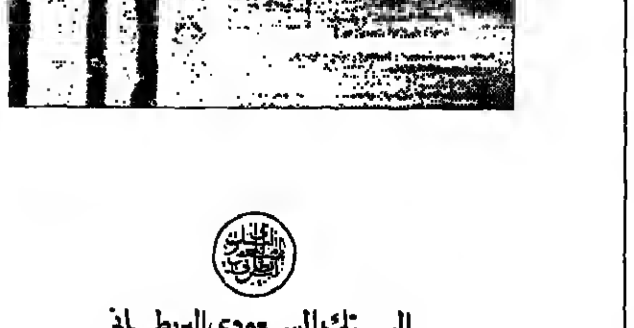

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South African miracle stops at barracks

Mark Suzman on the problems of uniting one-time military foes

President Nelson Mandela is set to intervene in a dispute between tbe 27,000 predominantly black, former guerrillas from the liberation movements and the white training officers of the South African National Defence Force cbarged with integrating them into the national army.

Recently, many of the former members of the armed wings of the African National Congress and Pan Africanist Congress admitted to military training camps have gone absent without leave, citing dissatisfaction with the integration process.

In the past week nearly 7,000 new recruits have refused to go back into training until their grievances, including more rapid processing of recruits, are met.

Mr Mandela has held talks with Mr Joe Modise, defence minister and former commander of the ANC's military wing, and General Georg Meiring, SANDF chief of staff, to discuss the problem and is planning to broach it with army commanders today.

The former South African Defence Force comprised highly-trained soldiers. By contrast, Umkhonto we Sizwe (MK) and Apla, the ANC and PAC's guerrilla armies, tended to be relatively unstructured.

The most common complaints appear to be boredom, dislike of military discipline, and dissatisfaction with the process requiring them to undertake military, medical and educational tests to assess training and rank.

So far the dispute appears to be confined to the lower ranks; integration of officers is proceeding without much difficulty. Lt-Gen Siphiwe Nyanda, former MK chief of staff, is now SANDF chief of staff and has been heading meetings on the broader integration process. But when he tried to mediate directly on the issue, protesters attacked his car.

Mr Modisa's deputy, Mr Ronnie Kasrils, also a former MK commander, admitted serious problems, but warned a lack of discipline could not be tolerated. Mr Mandela defused a similar protest when he remonstrated with 500 protesters who had marched to the Union Buildings, headquarters of the administration in Pretoria, to air their grievances.

The problem is likely to be worsened by the need to incorporate a further 10,000 soldiers from the former homeland defence forces, and several thousand members of a failed National Peace Keeping Force formed before April's first all-race election, into the SANDF.

Because many of these have already done some formal South African army training, they are largely exempted from the assessment procedures, but will become part of the next stage of bridging programmes leading to full integration.

Further problems are likely over jobs and salaries. The government has warned that transitional defence funds will in future be diverted to reconstruction and development. The SANDF's goal is to cut the army's size to 91,000 by 1996 from its present 130,000.

CORRECTION

Hinduja

In an article on September 6, the Financial Times referred to Mr G.P Hinduje, Mr S.P Hinduja and Mr P.P Hinduja as accused in the Bofors gun affair in India. Mr S.P Hinduja and Mr P.P Hinduja are not accused in the First Information Report and no charges have been brought.

The article also said that the Swiss Supreme Court had rejected a plea for secrecy about the family's involvement in the scandal. In fact, the plea was against tha granting of judicial assistance in the investigation. The court did not consider any plea for secrecy nor any evidence that the family was involved in the scandal.

The Financial Times regrets any embarrassment caused to the family by the original report.

NEWS IN BRIEF

Taiwan SEC chief refuses to quit

Mr Day Linin, chairman of Taiwan's securities and exchange commission, yesterday defended his handling of a stock market crisis and resisted calls to step down, **Laura Tyson reports from Taipei.**

"There is no need for me to resign over this affair, or take responsibility," Mr Day told the finance committee of the Legislative Yuan, or parliament. "I have handled the matter completely correctly, and at this stage believe no one can handle it better."

A string of share payment defaults amounting to T$7.6bn (£185m) sent stock prices down 14.7 per cent last week.

Mr Day said he had acted in the best interests of most investors, and denied suggestions by opposition legislators that he had sought to give advantage to certain business groups.

President Lee Teng-hui yesterday denounced speculative practices in the stock market. He told the party's central standing committee the finance and justice ministries would co-operate to prosecute such activities, where appropriate.

Share prices rebounded 6.03 per cent yesterday to 6495.78, encouraged by government moves to support the market.

Car bombs shake Algiers

The local representative in Algiers of Daewoo, the South Korean industrial group, was yesterday killed as the city was shaken by explosions, two of them car bombs, **David Buchan reports from Paris.**

The bombs, outside the justice ministry and Algiers university, came shortly before the trial of two alleged kidnappers is due to open before a special court.

Earlier, the French ambassador to Algeria was summoned to the foreign ministry, which complained that an interview given by Mr Francois Léotard, French defence minister, constituted interference in the country's internal affairs.

The minister had been quoted in a Saudi daily newspaper as suggesting that, instead of suspending the 1992 election which the Algerian fundamentalists looked like winning, the authorities should taken the risk of bolding the poll. But Mr Alain Juppé, France's foreign minister, rejected the complaint when he told French MPs France could not stay out of the Algerian debate, "because our interests are at stake."

Seoul share purchases eased

Foreigners residing in South Korea will be exempt from curbs on foreign shareholdings in listed companies starting next January, **John Burton reports from Seoul.**

An announcement yesterday by the finance ministry follows its decision to raise the foreign shareholding ceiling from 10 to 15 per cent next year.

The measure is the latest indication of the government's apparent delerminabon to open the stock market gradually to foreign investment, until now severely restricted.

Mr Park Jae-yoon, the new finance minister, said the band for permissible daily stock price movements would be eased next year; the deposit requirament for stock purchases would also be changed.

Opposition arrest in Nigeria

Military authorities have arrested a senior leader of Nigeria's main opposition group Nadeco after the police raided his Lagos hideout, the group said yesterday, **Reuter reports from Lagos.**

"Mr Ayo Opadokun, patriotic and energetic general secretary of Nadeco, has been arrested and taken to (an) unspecified location after his house and temporary refuge had been broken into and sacked," Nadeco said.

Nadeco is an alliance of politicians, retired senior military officers and pro-democracy activists backing the detained politician Moshood Abiola, undeclared winner of last year's annulled presidential election. Chief Abiola is on trial for alleged treason for declaring himself president in defiance of Nigeria's military rulers.

Allies could impose new curbs on Iraq

By Stewart Dalby and Robin Allen in Kuwait

Kuwait's allies are determined to force President Saddam Hussein to abandon his threatening attitude towards Kuwait, they said yesterday.

They were also "actively considering what further measures needed to be taken to ensure that Iraq never again disrupted world peace by massing tens of thousands of troops close to Kuwait's border".

Mr Warren Christopher, US secretary of state, flanked by Mr Douglas Hurd, British foreign secretary, Prince Saud al-Faisal, Saudi Arabia's foreign minister, and Sheikh Fahim bin-Sultan al-Qasimi, secretary-general of the six-nation Gulf Co-operation Council (GCC), said the group had reached four main agreements:

- Iraq's troops must abandon their threatening posture. Never again would Iraq be allowed to disturb the peace in the region and seek to intimidate the UN.
- "We hava agreed to an equitable share of the costs" (of allied military deployment).
- Each of the GCC countries had agreed to provide overflying rights for aircraft of the allied forces.
- The GCC had agreed to contribute units from its Peninsula Shield force to protect Kuwait.

He emphasised there could be no lifting of UN sanctions against Iraq, but refused to be drawn on what further measures were being considered to deter Iraqi threats. These measures include the enforcement on Iraq of o ground forces exclusion zone.

Mr Christopher said the allies had expressed "great sympathy for the people of Iraq" but the responsibility for their condition lay with Mr Saddam. "The facts speak for themselves," he said.

"Saddam Hussein has impoverished his country and dishonoured its military." The Iraqi leader should be in no doubt that if he continued a policy of intimidation "Iraq will be devastated".

Mr Christopher aaid there were signs of some Iraqi troop withdrawals from the border area, but it was too soon to say the crisis was over. There was among the allies "a total lack of trust in what Saddam Hussein says".

Mr Hurd said the UK was happy to support Kuwait "because we believe in standing by our friends and because the UK retains a strong interest in the stability of this area". Mr Hurd stressed a military exclusion zone was one of several options. "Nothing has been decided."

Poster of Saddam Hussein in Baghdad yesterday AP

Doubt cast on exclusion zone in the south

Advantages seen but feasibility questioned by IISS director

By Edward Mortimer

It would be "very difficult" to establish a military exclusion zone in southern Iraq analogous to that in the north, Mr John Chipman, director of the International Institute of Strategic Studies, said in London yesterday.

However, such a zone would have definite advantages for those countries, notably the US and UK, which have committed themselves to defend Kuwait and "will want to alleviate the task of performing that role".

Mr Chipman, speaking at the launch of his Institute's annual "Military Balance" (a review of armed forces and waapons around the world), said it would "require a lot of manoeuvring in the next 24-48 hours" to set up an exclusion zone, "if that proves to be the objective of the US administration".

Such a zone, in which the movement of troops and associated equipment would be prohibited, would have three advantages, he suggested:

- It would make it much more difficult for Iraq to create a threat on the Iraq-Kuwait border.
- It would make it difficult for President Saddam Hussein to use his armed forces for the purpose of repressing the Shiites in southern Iraq.
- By confining the élite Republican Guard to central Iraq and denying them access to both the north and the south, it might sow doubt in the minds of Iraq's military leaders about the capacity of their commander-in-chief (Saddam Hussein) to control and defend Iraqi territory.

But Mr Chipman also saw two problems with the scheme.

"First, how will it affect the relationship with other permanent members of the Security Council, in particular Russia? Secondly, what are the political consequences in Iraq of pushing the Republican Guard around in this way?"

There might be disadvantages as well as advantages, he suggested, in continued uncertainty in both northern and southern Iraq.

Mr Ahmed Hashim, a research associate at the institute, added that if the zone were established, Iraqi dissidents based in Iran might move into it, and this "would result in a three-way partition of the country".

Even if the Tehran government did not favour such a development, Pasdaran (revolutionary guard) units in southern Iran might give weapons and advice to the Iraqi Shiite forces based in their area, who are loyal to the "Suprema Council for the Islamic Resistance in Iraq".

Yesterday, tha Supreme Council's London office claimed that the Iraqi regima "has transported chemical and biological weapons" into southern provinces where there have been signs of popular unrest.

It also claimed to have reports from both central and southern Iraq that "the Iraqi people in general are beginning to show their rejection and criticism of the latest aggressive movaments of troops towards the Kuwait border".

They were also starting to show their rejection and criticism of the effects of soaring prices and lowering living standards.

More are going hungry

A trade embargo and lack of government organisation are forcing increasing numbers of Iraqis to go hungry, top officials from the United Nations World Food Programme (WFP) said yesterday, Reuter reports from Rome.

"The monthly salary of an Iraqi civil servant is barely enough to buy 1kg of meat," said Ms Mona Hammam, regional manager of the WFP in the Middle East. "People are selling assets and land to make ends meet."

The Rome-based WFP feeds 1.3m Iraqis, making it the country's largest supplier of food, Ms Catherine Bertini, executive director, said.

The number of people needing food aid would rise if the Iraqi government failed to improve distribution. "The Iraqi government gives out food to anyone who asks, instead of targeting the most vulnerable groups."

The WFP was stockpiling food in Iraq ahead of what could be a hard winter. Food prices had increased 600 per cent in southern and central Iraq and 84 per cent in the north. Some 23 per cent of Iraqi children were suffering from malnutrition.

Russian envoys start Baghdad talks

They bring a Yeltsin-approved plan urging patience in waiting for sanctions to ease

By Mark Nicholson in Baghdad

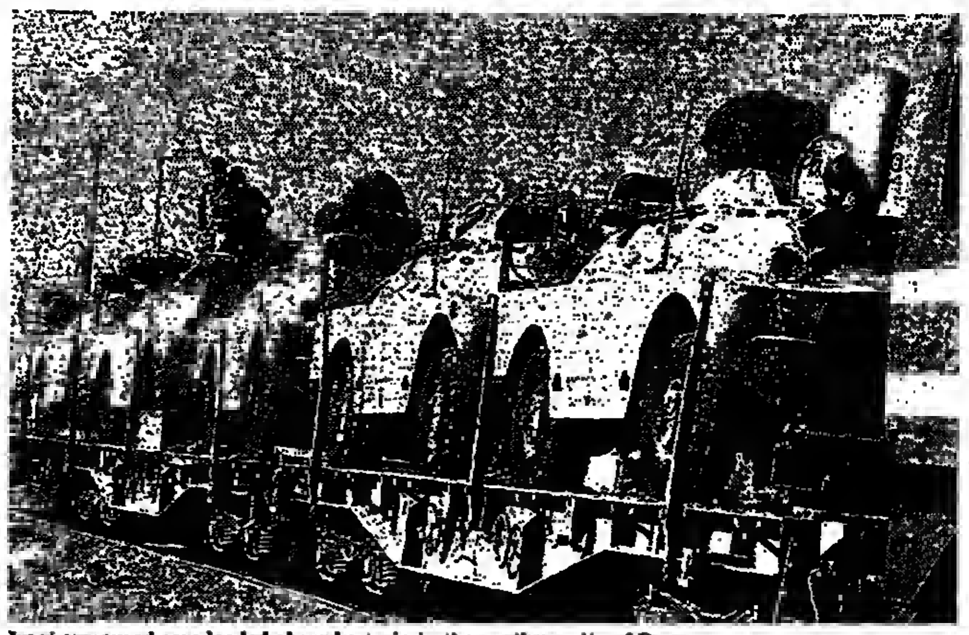
Two senior Russian diplomats began talks with Iraqi leaders apparently carrying a plan approved by Mr Boris Yeltsin, Russian president, aimed at defusing tensions on the Iraq-Kuwait border, while telling Iraq it must be more patient in awaiting an easing of sanctions.

Mr Igor Ivanov, first deputy foreign minister, and Mr Viktor Posuvalyuk, director of the ministry's Middle East department, arrived after an overnight road journey from Amman early yesterday for what diplomats in Baghdad called a "hastily arranged and developing programme of meetings" with Iraqi officials.

Russian officials would not comment on the envoys' proposals, or confirm whether the two men would travel on to Kuwait for further talks, as Moscow officials had suggested earlier this week.

Diplomats said the two men were expected to discourage Iraq from taking what one called "absurd steps" in the attempt to press the UN Security Council into an early lifting of the four-year-old oil embargo.

They said Iraq still hoped such moves could follow the Security Council's approval of the report by Mr Rolf Ekeus, UN special envoy, that long-term weapons monitoring systems were "provisionally operational" in Iraq and ready for a test period.



Iraqi armoured cars loaded aboard a train in the southern city of Basra AP

Iraq believes it should be given a clear period for this test, after which sanctions would be lifted; diplomats said Baghdad has been insisting the Security Council set specific dates.

The Russian envoys are expected to encourage Iraq to wait out a six-month test period for long-term monitoring, a period understood to be acceptable to most Security Council members as a fair test of Iraqi compliance.

They are expected to tell the Iraqis Russia would reward snch patience by arguing strongly after the six months for immediate moves to ease sanctions.

Support for such a scheme from France and China, along with Russia, bad been gaining ground before President Saddam Hussein's troop movements towards Kuwait provoked the present stand-off.

Most UN diplomats believe Mr Saddam's actions have succeeded only in reversing the diplomatic momentum Iraq had been winning.

There was no let-up in Iraq's verbal attacks on the UN or the US, with both officials and media continuing to lambast both, for what Babel, the newspaper owned by Saddam's son Uday, called a "rancorous scheme against Iraq".

General Amer Mohammed Rasheed, director of Iraq's military industrial commission, attacked Mr Ekeus' report as "rife with ignorance of Iraq's co-operation" with the UN.

Al-Thawra, official paper of the ruling Ba'ath party, accused the west of "propagating fuss."

Diplomats said Iraq was continuing to move its troops north of Basra yesterday, and that both the Chinese and Russian military attachés in Iraq were yesterday in the south of the country to confirm the withdrawals.

In Baghdad, few signs remained that the past days' tensions had affected the city. Market traders said inflated prices for food and other basic goods had risen in the past few days, only to return to "normal" inflationary levels yesterday.

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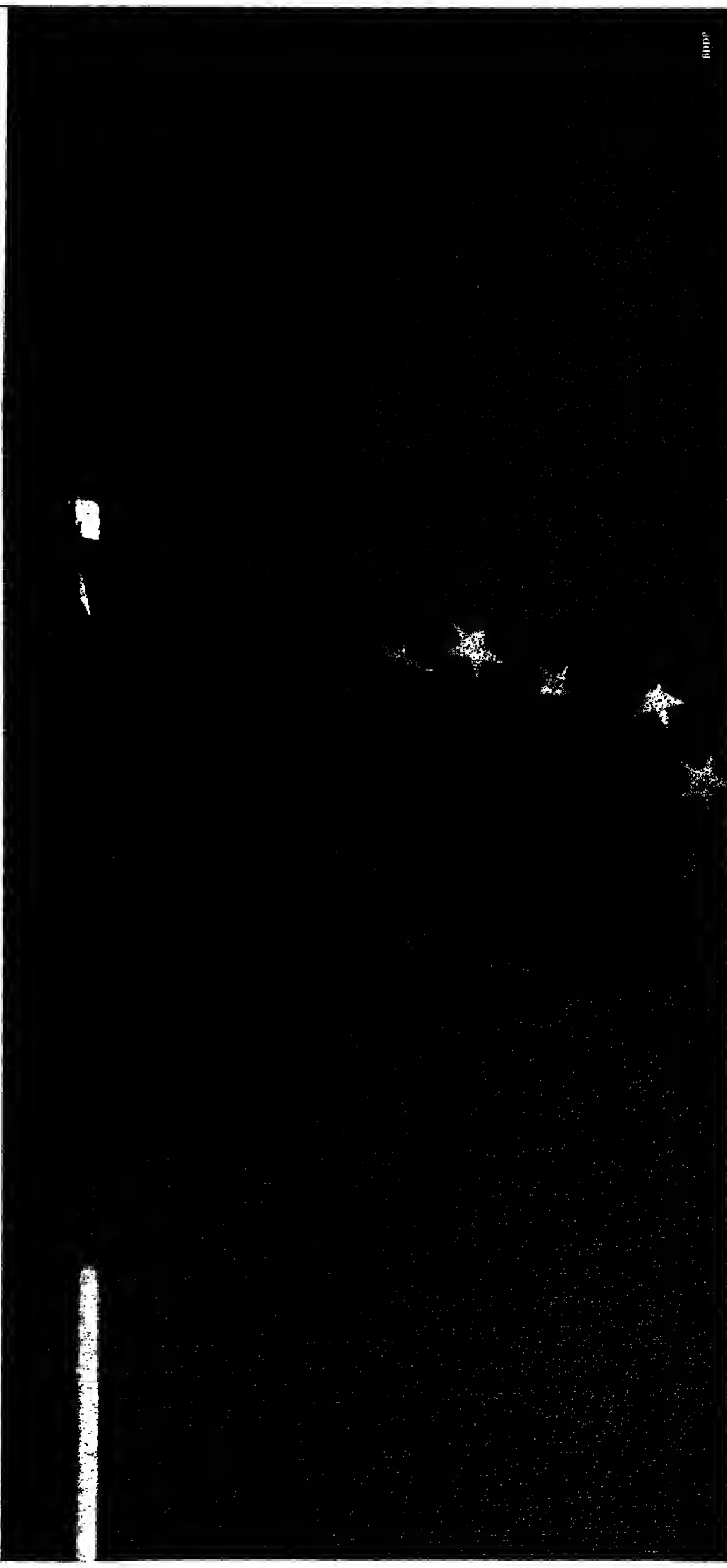

Canada plans for cable and telecoms freedom

By Bernard Simon in Toronto

Canada is to clear the way for open competition between telephone companies, cable-TV operators and other telecommunications providers, under a new policy unveiled by the industry minister, Mr John Manley.

The government has directed the Canadian Radio-Television and Telecommunications Commission (CRTC), which regulates broadcasting and telecoms, to study the legislative changes reqnired to hring down regnlatory barriers.

The CRTC is expected to complete its report by the end of February. "We want real competition, and our vision is not restricted to established industries," Mr Manley said.

"We fully expect – and will actively encourage – a host of new entrants. We want competing carriers and other service providers to have full access, on equitable terms, to the facilities of telephone companies and cable companies, other than capacity used for broadcast signals."

Although foreign investors are presently limited to minority stakes in Canadian phone, cable and broadcasting companies, several have already entered the market. AT&T, for example, owns 20 per cent of Unitel, which pioneered competition in long-distance telephone services two years ago.

Sprint, the US long-distance company, has a 25 per cent interest in Call-Net Enterprises of Toronto, another new entrant in the long-distance market.

The CRTC last month spelt ont plans to encourage competition in local telephone services, which are presently dominated by monopolies in each of Canada's 10 provinces. The traditional cross-subsidy of local rates by long-distance revennes will be substantially rednced with the aim of attracting new entrants.

US pays to make superhighway fair

US commerce secretary Ron Brown announced grants of $24.4m

By Nancy Dunne in Washington

The US Commerce Department yesterday took steps to ensure that the US information superhighway reaches schools, hospitals, lihraries, government agencies and minority communities which might otherwise be left out of the communications revolution.

Mr Ron Brown, the US commerce secretary, announced 92 grants worth $24.4m for programmes in 45 states this year. Matching funds from private and other public sources hrings the total information spending dedicated to public institutions and under-served communities to $67.6m. In 1995, the administration will hand out $64m, a large increase but still well below demand. This year applicants raised $800m in matching funds and requested $560m in grants. Only one ont of 10 bids was accepted. The department's National Institute of Standards and Technology runs a much larger grant programme to help industries research and develop critical new technology for the information superhighway.

Commerce officials said that, while the private sector would develop the information infrastructure which US companies need to remain competitive, the government's role is to help under-served communities. "These are public institutions which are integral to the fahric of this nation," said Mr Larry Irvine, assistant commerce secretary for communications and information.

In the atmosphere of cynicism among the US electorate, grant programmes like these are easily labelled "pork barrel" hy anti-government conservatives. Commerce officials insisted there were no politics involved in the awarding of only one grant to Texas – increasingly Republican territory – and 10 to California, a key state for the president's 1996 re-election campaign.

Many of the grants read like a roll-call of traditional Democrat constituencies in minority and low-income communities. This was deliherate, said department officials, to avoid creating "a society of information haves and have nots".

Harlem, the hlack community in New York City where Mr Brown grew up, received one of the larger grants – $450,000 – for a $1.1m project to plug six schools into an environmental learning programme. A $156,000 grant will support a $300,000 plan for linking more than 500 American Indian tribal governments and developing "telemedicine", child care, education, economic development and cultural preservation programmes.

A $100,000 grant will go to a Korean Youth and Community Centre in Los Angeles to develop training for community workers.

Alberta's premier wields his axe

Budget pain is being inflicted but nobody is crying out yet, writes **Bernard Simon**

Mr Ralph Klein is succeeding where most politicians have failed. Determined to balance Alberta's budget within the next two years, the premier of the oil-rich Canadian province is chopping government programmes left, right and centre.

His government has closed thousands of hospital beds, eliminated almost two-thirds of the province's school boards, and turned to private enterprise to run services as diverse as liquor stores, lawn-mowing and the issue of hirth certificates.

What is most remarkable, however, is that the deeper the cuts bite, the more popular Mr Klein becomes. According to an opinion poll published in late August, 61 per cent of Albertans approve of the Conservative government's performance, up from 51 per cent four months earlier.

Mr Klein, a forthright man who acknowledges putting his foot in his mouth at times, says the secret of his success is that "we're keeping promises". "People might not like what we're doing, but they all say at least: 'You're keeping your promise'," he said.

Mr Mike Percy, finance spokesman for the opposition Liberals, concedes that Mr Klein has struck the right chord: "It's the temper of the times here," Mr Percy says. "People won't believe you unless you say it hurts."

Mr Klein, who was a Calgary TV reporter before entering politics, at first won voters' confidence by putting himself and other politicians at the front of the firing line. Soon after taking over as premier in December 1992, he abolished the provincial legislature's pension plan. Mr Klein says he has sacrificed almost C$60,000 (£28,300) in accrued pension benefits himself. He has also given up his C$5,000 a year allowance for clothing and other expenses. Cabinet members took a 5 per cent pay cut.

The pain now being inflicted on Albertans is largely the result of earlier governments' misplaced optimism about the course of oil and natural gas prices. Alberta prospered when oil prices rose sharply in the late 1970s. By 1985, the province had accumulated a surplus of almost C$12bn. Oil royalties were squirrelled away in a Heritage Savings Fund, to be used for long-term infrastructure investments. But the previous government failed to trim its sails when oil and gas prices fell. Resource revenues plummeted from almost C$5bn in the fiscal year to March 1986 to less than C$2hn the following year, and then stagnated. At the same time government spending grew by an annual average of 5.1 per cent in the five years to 1992.

The hudget surplus turned into a deficit, reaching C$3.8hn last year. Alberta's debt is expected to rise to C$32bn at the end of the current fiscal year, in effect mortgaging the Heritage Fund. Alberta has now lost its coveted triple-A credit rating.

A carefully-timed government commission, comprised mainly of husiness leaders, laid the ground for the cuts early last year by warning that "many of the present systems were designed to serve the province during an era of ahundance, and the current times of economic difficulty necessitate major changes".

Mr Klein looks easily set to reach his target of a balanced hudget by 1996/97. The government recently forecast the current fiscal year's shortfall at C$1.35hn, or C$205m lower than the 1994/95 budget estimate. Unexpectedly strong oil and gas revenues make up the bulk of the windfall. But programme spending cnts, projected at 20 per cent over four years, remain on target.

Mr Klein has promised to reach that target without raising taxes. Alberta remains the only Canadian province without a retail sales tax. But the government has sharply boosted revenues from public user fees. For example, public funding of kindergartens has been cut from 100 per cent to 58 per cent.

The austerity drive has drawn loud protests from some groups, notably the elderly, who worry that healthcare standards are slipping, and trade unions. But they are a diffuse group. "He's got a coherent strategy, and there's no coherent opposition," says Professor Alan Tupper, a political scientist at the University of Alberta in Edmonton. Domestic and foreign investors however, are cheering. Moody's, the credit-rating agency, noted in a recent report that Alberta's deficit-reduction plan is the most aggressive among Canada's 10 provinces.

The provincial treasurer recently brought together a high-level group of academics, public-service officials, business leaders and unionists to chart a course for fiscal policy once the balanced-budget target has been achieved.

A generous tax cut is a near-certainty before the next provincial election in three or four years' time. "There will be something," Mr Klein says. But he insists that the government will be careful not to create the expectation that "we're just going to start throwing money at things again".

AMERICAS NEWS DIGEST

Aristide return on schedule

Lieutenant-General Raoul Cédras, the leader of Haiti's military coup who relinquished power on Monday, was expected to leave the country yesterday just three days before the scheduled return of exiled president Jean-Bertrand Aristide.

United States military forces continued to guard the home of the ousted general as removal vans loaded with Gen Cédras's valuables headed towards aircraft awaiting him at the capital city's airport. A US embassy spokesman said that only some "peripheral and marginal issues" about his departure had to be worked out, most notably to which country he would be taken to. Argentina, Panama and El Salvador have been mentioned as possible destinations. The spokesman also said that the chief coup strategist, General Pillipe Biamby, was likely to accompany Gen Cédras into exile. Gen Cédras's expected departure follows the collapse of the government led by de facto president Emile Jonassaint, who left the presidential palace on Tuesday. All of Mr Jonassaint's ministers also abandoned their offices, and US troops peacefully secured 15 different government buildings. Inside the presidential palace, US security officers and Mr Aristide's transition team began initial preparations to receive the legitimate president when he arrives on Saturday. *Ted Bardacke, Port-au-Prince*

Nobel prizewinner list grows

North American dominance of the 1994 Nobel prizes was underlined yesterday when two Americans and a Canadian won the awards for physics and chemistry. The physics prize was shared by Mr Bertram Brockhouse of McMaster University in Hamilton, Ontario, and the Mr Clifford Shull, of the Massachusetts Institute of Technology, for their pioneering development of neutron scattering techniques. Their work, carried out 40 years ago, has paved the way for the development of new materials such as ceramic superconductors. The chemistry prize went to Mr George Olah, of the University of Southern California, for his contrihutions to carhocation chemistry. "In simple terms Clifford Shull has helped answer the question of where atoms 'are' and Bertram Brockhouse the question of what atoms 'do'," said the Royal Swedish Academy of Sciences when making the SKr7m (£583,300) award. The science academy said the work of the Hungarian-born American, Mr George Olah, had been widely recognised among organic chemists and that his work on carbocations – positively charged hydrocarbons – had won a prominent position in modern textbooks. Hydrocarbons are used to make gasoline, pharmaceuticals and plastics. Seven out of the eight Nobel prizewinners announced so far have been North American or North America based. *Christopher Brown-Humes, Stockholm*

World Bank conservation plea

A senior US Treasury official called on the World Bank yesterday to lend more money for energy conservation and less for energy production. Mr Larry Summers, treasury under-secretary for international affairs, said programmes that end the excessive use of energy are "strategies" that the bank must pursue. The bank has in recent years increased its activities in the energy conservation field and has advised many countries on restructuring their energy sectors to reduce subsidies and introduce more efficient pricing. Mr Summers yesterday told the Overseas Development Council, a Washington-based research and pressure group on development issues, that the World Bank currently lends 20 times as much for energy production as it does for energy conservation. Mr Summers said subsidised energy prices led to waste and needless pollution. *George Graham, Washington*

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Foreign operators calling Beijing's number

Cable & Wireless has breached China's telecommunications markets. Simon Holberton reports

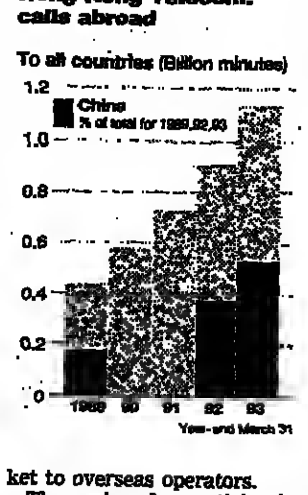
Lord Young, chairman of Cable & Wireless of the UK and its principal operating subsidiary Hongkong Telecom, yesterday resembled a cat with a bowl of cream.

As he parried questions about Hongkong Telecom's latest deals in China, Lord Young knew – but could not say – that he was announcing the end to China's post-war policy of prohibiting foreign participation in the operation of domestic telecoms services.

The implications are wide-ranging, although analysts were careful to stress the preliminary nature of yesterday's announcement. The Chinese government aims to increase its number of phone lines from about 30m – barely more than the UK – to at least 110m by 2000. That is equivalent to the construction of a telecoms network far larger than Japan's in barely six years.

Equipment suppliers familiar with China's ministry of posts and telecommunications (MPT) have long believed it would not be possible to meet that objective without investment and management input from western network operators. Yesterday's announcement appears to signal Beijing'e recognition of the fact, opening the world's largest telecoms growth market to overseas operators.

Hong Kong Telecom: calls abroad



The regime for participation is likely to remain unclear for some time. C&W has still to negotiate the precise terms of its engagement in the two networks operations unveiled yesterday, and negotiations with other operators are still at an early stage.

But many operators besides C&W have ambitions to enter China, and some already have a foot in the door. Nynex, one of the seven US Baby Bell regional operators, is acting as an adviser to LianTong Communications, e recently-launched state telecoms company operating alongside the established MPT. AT&T, the largest US operator, is also exploring prospects.

In all, Hongkong Telecom expects to invest between $250m and $350m over the next two to three years, and that could just be the beginning. For the past 15 years China's domestic telecoms market has been the Holy Grail for Hongkong Telecom. "We have been talking to China for years about projects," Lord Young said. "The first project – which will take three-quartere of planned expenditure – is a joint venture with Beijing's Telecommunications Authority to upgrade, develop and share the management of the Chineee capital's cellular telephone network.

Currently the network supports 60,000 users and 300,000 pagers. In addition to upgrading from analogue to digital technology, Hongkong Telecom plans to double its size of the network every year "for the next few years".

The second is participation in the construction and management of a fibre-optic cable between Beijing and Hong Kong. It will undertake this venture with the ministry of posts and telecommunications.

The UK's Export Credits Guarantees Department (ECGD) is backing £75m ($120) worth of British exports to China with e loan value of £61m. Four recent contracts range from telecommunications and engineering to food processing.

Davy McKee (Stockton) won e contract for the supply of a direct reduction iron plant at Tianjin with a loan value of $22.5m and finance arranged by West Merchant Bank. This was the first ECGD dollar buyer credit to be arranged for the People's Construction Bank of China. The largest contract is for an optical fibre network project which will link cities in the provinces of Hunan and Hubei with Chongqing. The loan value is $51m with ANZ Grindlays Bank as the lead bank.

Humatt Engineering won a third contract to supply three chicken processing plants in Yantai, Penglai and Guzhen. The plants, with a loan value of £7.9m, are follow-on projects resulting from the success of two similar installations at Rongcheng and Qingzhou last year. The loan was arranged by Samuel Montagu on behalf of Midland Bank, the lead bank, with the Overseas Development Administration providing a grant of £4.2m.

Midland Bank was also the lead bank and Samuel Montagu arranged the loan for the fourth contract for air preheaters for a power station et Gao Bei Dian in Beijing. The contract was won by Howden Sirocco.

China has been one of ECGD's top markets for many years and currently has the third highest exposure for all markets with £1.5bn insured.

The cable will stretch some 3,000km – passing 80 towns and cities along the way – and connect to the Guangzhon-Hong Kong fibre optic link. Capacity will be increased by 80,000 lines. As with the Beijing cellular telephone deal, Hongkong Telecom expects to participate in the management of the facility and earn equity-type returns.

C&W said it was important for Hongkong Telecom to do its first major deals with Beijing entities, signalling the Chinese government's blessing for the ventures. Hongkong Telecom has spent years cultivating relationships in Guangdong, Fujian and Shanghai. After its network in Hong Kong went digital last year it completed shipping – and installing gratis – all its analogue telephone switches to Guangdong. "It helped promote telephone traffic between Guangdong and Hong Kong; it was enlightened self-interest," be said.

In Shanghai, where Cable & Wireless on Monday held its first board meeting on the Chinese mainland, the local authorities welcomed their participation in the city's telecommunications market. The local government is especially keen for the company to expand telecoms in the Pudong special economic zone.

The Chinese move takes place against a backdrop of rapid liberalisation and privatisation in the international telecoms industry. Demand for capital and telecoms development expertise is intensifying across the developed world – particularly in Asia – as governments seek to modernise their telecoms networks as a key element in policies to promote economic growth.

"You could say it is the end of a very long road and the first step on a long march," said Lord Young. But as the Chinese say: the longest march starts with e single step.

Norwegians plan German gas pipe investment

By Karen Fossli in Bremen

Norwegian oil and natural gas producers Statoil and Norsk Hydro yesterday announced they would invest in a natural gas pipeline in Germany.

The agreement, signed with Germany's Ruhrgas, the biggest German gas importer, and BEB, Germany's biggest producer of gas, establishes a new company, Netra. Netra will complete and operate a large-diameter pipeline requiring a total investment of more than DM1bn ($650m).

The agreement comes just two weeks after completion of a competitive pipeline transmission system, jointly owned by Gasprom of Russia and Wintershall of Germany, and intensifies the battle between Norway and Russia over new European gas supplies.

Netra will build a 290km pipeline between Etzel, near Wilhelmshaven in Germany, and Salzwedel on Germany's former east-west border. The Etzel facility is supplied via Emden, Germany, from the natural gas fields in the Norwegian North Sea.

It will link up with the gas pipeline from Salzwedel to Bernau, north of Berlin, being built by Ruhrgas and Verbundnetz (VNG) and will be connected to the VNG pipeline network as well, allowing it to be used for Norwegian gas volumes contracted by VNG in 1993.

Between 70 per cent and 75 per cent of the Netra pipeline has already been built by the German partners. The Norwegian partners will therefore be making the greatest share of the remaining investment.

Under the terms of the deal, Statoil and Norsk Hydro will jointly own 25 per cent of Netra with an option to increase this to e third should the pipeline system be extended.

The remaining Netra shares are equally distributed between the German partners in the venture. Dr Burkhard Bergman, a Ruhrgas executive, yesterday said the Netra pipeline was "not a common carrier but it'e an investment for the shareholders," referring to the European Union's plans to open pipelines to third party users.

The companies said their co-operation would increase natural gas supply volumes from Norway to Germany and central Europe. Another aim of the venture is to cut unit costs of the pipeline which will be completed in 1995.

Netra believes the pipeline will be an important link in the growing European gas grid integrating the gas industries of western, central and eastern Europe by a cross-border pipeline network. The pipeline – with annual transport capacity of up to 18bn cubic metres – will have the potential to supply Germany and neighbouring countries with volumes of Norwegian gas greater than those already contracted.

Existing contracts with Germany alone call for the annual volume of Norwegian gas imports to climb from 11bn cubic metres at present to over 30bn cubic metres in 2005, raising the share of Norwegian gas to 31 per cent of German supplies, from 14 per cent.

US antidumping rules shown to be arbitrary

By Nancy Dunne in Washington

Mexico, a country with no indigeoous television technology, now supplies 70 per cent of the television sets imported into the US market. This is the result of the circumvention of US dumping duties on colour picture tubes produced in Japan, Korea, Singapore and Canada, according to Mr Timothy Regan, a spokesman for the Committee to Preserve American Colour Television (Compact).

From all sides of the dozens of antidumping and countervailing cases brought each year to the US Commerce Department and the International Trade Commission, there are stories of inconsistent findings, rulings easily circumvented, inept administration of decieions, and inadequate enforcement.

Ecuador, last month found guilty by the US Commerce Department, of "dumping" roses in the US market, says the 50 per cent duty to be levied will leave 10,000 Indian workers without jobs.

In the case of Ecuador, that government said the US Commerce Department was "arbitrary and inconsistent" when it refused to let one of the defendants correct an error on a computer tape and did not follow its usual practices in determining the dumping margin. Mr Edgar Teran-Teran, US ambassador, said the industry received no government subsidies. "It is inconceivable to think of some kind of dumping from flower growers if they receive no support."

Cases like these form part of the record being scrutinised by the International Trade Commission as it seeks to complete one of the broadest investigations ever cooducted on the effects of US antidumping and countervailing duties on the economy. The results of the study are due next June.

At a recent ITC public bearing, commissioners beard from foreign suppliers, domestic producers, lawyers and academics, who said the "unfair trade laws" were themselves unfair.

Mr Jon Jenson, president of the Precision Metalforming Association, said duties on foreign steel products had caused shortages of critical raw materials not produced in the US. An effective mechanism had to be devised to permit import of products in short supply.

Mr David Gridley, an official at the Torrington Company, e producer of antifriction bearings, said many domestic ehortages result from US industry close-downs ceused by dumping: "One manifestation of harm to the domestic industry was the delivery and other problems thet flowed from reduced capacity."

The Copper and Brass Fabricators Council said the US Customs Service and the US Commerce Department did not even know whether antidumping and countervailing duties had been assessed and collected: "Everyone assumes that the duties are being collected, but there is no trustworthy evidence to substantiate this claim or to ascertain the amounts of the duties."

The US antidumping lews were "a real world example of an existential system", said Mr Michael Finger, World Bank chief economist. "In antidumping law, existence precedes essence. Essence is no more than a collection of accidents – dumping is whatever you can get the government to act against under the antidumping law."

Taking the paper out of trade

Frances Williams on the quest for more efficient commerce

The General Agreement on Tariffs and Trade recently put the global gains from the Uruguay Round trade liberalising accords et an eventual $500bn a year. Next week ministers, officials and industry executives from more than 130 countries will meet in Columbus, Ohio, to discuss how to boost that sum by another $100bn – by cutting the costs of doing business abroad.

The United Nations Internationel Symposium on Trade Efficiency is focusing on ways of making trading cheaper and easier, so enabling smaller companies and poorer nations to exploit the global market on more equal terms with established traders.

According to the UN Conference on Trade and Development, which is organising the five-day symposium, the costs of voluminous paperwork, complex formalities and associated delays and errors amount to about 10 per cent of the final value of goods.

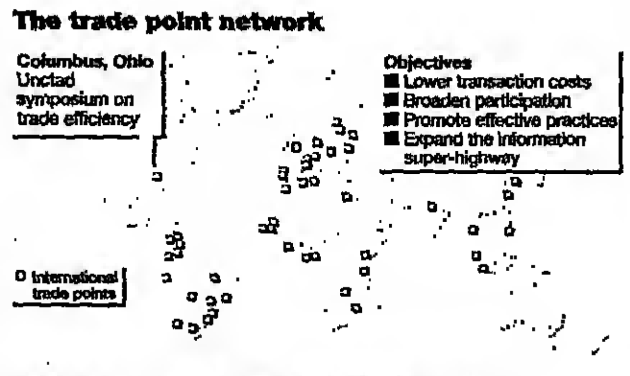
A typical trade transaction may involve 30 different parties, 60 original documents and 360 document copies, all of which have to be cbecked, transmitted, re-entered into various information systems, processed and filed.

For small companies, this can be daunting, even without the additional handicaps faced by many Third World exporters such as poor infrastructure and cumbersome, sometimes corrupt, bureaucracies.

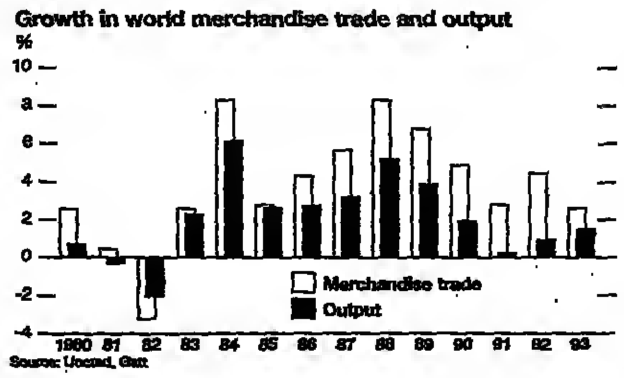
However, transaction costs – totalling perhaps $400bn e year by tbe end of the decade – could be sliced by 25 per cent by streamlining procedures and extending use of paperless trading, Unctad argues.

The symposium is expected to adopt recommendations for tackling problems encountered by exporters in the areas of transport, trade informetion, telecommunications, business practices, and customs and finance, with special emphasis on the difficulties confronting smaller companies and developing countries.

The trade point network



Growth in world merchandise trade and output



Source: Unctad, Gatt

One example is computerisation to speed customs clearance, increase government revenues and reduce opportunities for corruption. Unctad's Automated System for Customs Data (Asycuda), used by more than 60 developing countries, enabled Ghana and Mauritius, for example, to cut clearance times from e week to half e day. Sri Lanka boosted revenues by $25m or 10 per cent in the first three months of operation, despite lower tariff rates.

Though more than 100 countries operate fully eutomated customs clearing systems, most trade transactions are still paper-based. Errors and delays in paperwork cost companies business and customers, Unctad says.

"With the growing trend towards purchasing 'just in time', deleys increasingly imply lost business. If local suppliers can produce and deliver inputs within a given deadline, remote suppliers must be able to do likewise or they will lose the market."

The answer, Unctad believes, is paperless trading or electronic data interchange (edi). However, to be effective all the participants in a trade deal – companies, customs, banks, insurers, transport agents and so on – have to use it.

Even in industrialised countries, edi is used by fewer than 7.5 per cent of companies. For exporters in developing countries, poor telecommunications may make edi impracticable.

Similar problems apply to that other essential of successful trading – business information. This is increasingly evailable in electronic form but many companies, especially in the Third World, could find themselves excluded from trade if they cannot adequately exploit the new technologies.

"In a world where information has become the main strategic factor of competitiveness, the border between trade winners and losers is often the one that separates the haves from the have-nots of technology," Unctad warns.

To help prevent this gap emerging Unctad came up with the idea of a worldwide network of "trade points". Since the first was set up in February 1992 in Cartagena, Colombia, trade points have been set up or are planned in 60 countries. By the end of next year 100 should be operational.

Trade points bring together under one roof all the services needed by exporters, such as government departments, customs authorities, chambers of commerce, banks, insurers and freight forwarders.

Through trade points companies have the possibility of using edi as well as gaining eccess to computerised information on markets, potential clients and investment partners, tariffs and trade rules worldwide.

Next week's symposium will formally launch the Global Trade Point Network, an electronic network linking the trade points with each other and other international networks, which Unctad bopes will become an important player in the field of trade information and electronic trading.

Trade points already claim success in increasing the number of companies involved in international trade and helping them trade more efficiently. Ms Rossana Trucco del Castillo, director of the Cartagena trade point, says 70 per cent of its users are small and medium-sized companies and half are new to international trade.

WORLD TRADE DIGEST

Hoechst plans China expansion

Hoechst, the chemical group, yesterday announced plans to double its investments in China. Mr Jürgen Dormann, the chairman, said in Beijing that Hoechst would raise its capital spending there from $300m to $600m in the next two or three years, the aim being to export high-quality products from China to the world market. "We are aiming to double our sales and the corresponding asset base in Asia to 20 per cent of the group total over the next five years," he added. "China is a cornerstone in this strategy." Hoechst's Asia-Pacific turnover in 1993 totalled DM2.7bn ($1.74bn), mostly in Japan. Its ectivities in China include filter cigarette material, pharmaceuticals, agrochemicals and polyester fibres.

Viag, the German energy, industrial and trading group is also planning to expand in Asia. It wants to double sales there from the present DM2bn (5 per cent of turnover) by 2000. Its Continental Can Europe division recently bought 25 per cent of Hong Kong-based Pacific Can Company, e drinks can maker which operates plants in China and is building a new one in Beijing. *Andrew Fisher, Frankfurt*

Westinghouse Russian venture

Westinghouse, the US engineering and manufacturing giant, plans a joint venture with Kharton, the former Soviet Union's defence group. The new company, Westron, will work in Ukraine'a large nuclear energy sector. The US Nunn-Lugar defence conversion aid package is providing $5m for the venture and Westinghouse will invest another $20m in technology and equipment. Westron will update protection and control systems at Ukraine's 14 nuclear reactors at five sites. In spite of international pressure to close its nuclear plants, Ukraine has committed itself to upgrade and maintain the nuclear stations. No decision was reached on Chernobyl, the site of the world's worst nuclear accident in 1986. Other companies interested in Ukraine's large nuclear and military-industrial complex include ABB Combustion Engineering, part of the Swiss-Swedish engineering concern. Orbital Systems of the US, has been approached by Kharton to find commercial use for SS-18 carrier rockets. *Matthew Kaminski, Kiev*

Japan set to reform rice law

Jepan's agricultural ministry yesterday submitted proposals to reform the country'e food control law, which governs rice production, distribution and retailing. The legislation will replace the food control law when Jepan partially opens its rice market at the start of next year under provisions of the Uruguay Round of multilateral trade. Next year, the government will allow rice imports up to 4 per cent of the domestic rice market. The figure will be gradually increased to 8 per cent by the year 2000.

Under the proposed rules, any company or organisation will be allowed to buy rice from farmers and sell it on the open market, just by notifying its plans to the government. Currently, e state licence is required to trade or sell rice. Consumers are unlikely to benefit fully from cheap imports, since the legislative proposal stipulates that profits from selling imports at around domestic prices are to be used for maintaining rice stock for emergency use. The new bill will be submitted to the cabinet for approval next week before being sent to parliament. *Emiko Terazono, Tokyo*

Asian airlines cut fares

Several airlines in Asia are following Singapore Airlines (SIA) and cutting first and business class fares on regional routes. At the weekend SIA announced it would reduce first and business class fares by between 10 and 20 per cent to 33 destinations in Asia, the south-west Pacific and South Africa. Cathay Pacific, Thai Airways International and Qantas have now announced similar reductions on flights out of Singapore. Malaysia Airlines and other regional carriers are also likely to announce fare reductions.

SIA, consistently one of the world's most profitable carriers, has been hit by growing competition from other airlines in the region and the steep appreciation of the Singapore dollar against other regional currencies. About 35 per cent of SIA's revenues comes from sales of first and business class tickets. A spokesman for Qantas said that the Australian carrier had to follow SIA in making fare reductions in order to remain competitive, particularly on routes from Singapore to Australia. *Kieran Cooke, Kuala Lumpur*

Portugal sets sights on China

Portugal could export more transport, electrical and telecommunications equipment to China and could even receive an order to build ships for Beijing, Portuguese Trade and Tourism Minister, Mr Fernando Faria de Oliveira said yesterday. He added that there was potential for exports of railway carriages, electricity generating equipment, electrical and telecommunications cables and digital telephone exchanges. The minister also said China had expressed interest in building a toy factory in Portugal to get round European Union import quotas on Chinese toys. Portugal runs a heavy trade deficit with China, to which it has traditionally exported modest quantities of tomato paste and wood pulp. *Reuter, Lisbon*

Contracts

■ Matsushita Electric Industrial will set up a venture with China Shenyang Storage Battery Factory to produce small sealed lead acid batteries in Shenyang, China. The venture, to be formally established in November and capitalised at Y1.45bn ($14.5m), is to begin production from January 1997. The batteries are for use as small-sized and emergency power sources for cellular communication base stations or small switching systems. They will be supplied to China, south-east Asia and Pacific island countries. *Reuter, Tokyo*

■ Japan's Ministry of International Trade and Industry has admitted five foreign concerns, including Westinghouse Electric and Rolls-Royce, to one of its new energy research projects. The Y300bn project aims to develop the efficient extraction and use of hydrogen as an alternative energy source for future generations. *Reuter, Tokyo*

■ Raytheon of the US has been awarded a HK$67m ($8.7m) contract to supply and install two radar systems for Hong Kong'e new airport. Work will start later this month and will be completed in February 1996. *Reuter, Hong Kong*

■ Italtel, the manufacturing subsidiary of Italy's state-owned telecommunications group, has completed its second cellular phone project in Russia. The $4m contract includes the supply and installation of e digital cellular turn-key system, radio base station, control unit for base stations and e Linea UT switching centre. *AP-DJ, Milan*

■ Intracom, the Greek telecommunications and information company, yesterday signed a contract to modernise telephone communications at the Kremlin. The one-year turn-key project involves installation of an AXE-10 Digital Exchange. Intracom manufactures the AXE-10 under licence from Ericsson of Sweden. *Foreign Staff, London*

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NEWS: UK

Chancellor urged not to cut taxes in Budget

By Peter Norman, Economics Editor

Mr Kenneth Clarke, the chancellor, will be able to cut public spending plans for the coming 1995-96 financial year by £5bn without having to make real inroads into the government's spending programme, the independent Institute for Fiscal Studies reported yesterday.

In its "Green Budget", prepared with Goldman Sachs, the US investment bank, the independent tax policy research group says the chancellor should stay firm and not cut taxes in next month's Budget.

The study says the public sector borrowing requirement looked set to undershoot previous forecasts. For this financial year to the end of March 1995, the institute and Goldman Sachs expect a PSBR of £32bn compared with the £36bn predicted in the Treasury's summer forecast. They expect a 1995-96 deficit of £24bn, although it could be as low as £21bn, or 3 per cent of gross domestic product, if the government maintains its existing spending plans in real terms in the run-up to the next general election.

The report says lower-than-expected inflation means the chancellor can keep to his previous plans for real, inflation-adjusted public spending while announcing a nominal £5bn cut in spending for next year. Without such a reduction in the existing £263bn public expenditure control total, policy would be loosened next year and taxes might have to rise in the medium term.

The authors say improved public finances should not be used as an excuse to cut taxes because the drop in the PSBR will be entirely the result of higher than anticipated economic growth. "The tax increases announced last year remain essential to bring the public finances under control," they add.

The green Budget, so-called because it is modelled on a government consultative document, or green paper, suggests that Mr Clarke will choose neither to tighten nor ease fiscal policy next month. With the next general election up to two and a half years away, dramatic initiatives are not expected. But the chancellor could still decide to change individual tax and spending programmes within the existing framework.

Mr Andrew Dilnot, institute director, suggested that the chancellor may act to reform family credit and the in-work benefit system to create more incentives for the low-paid to seek work. An eye-catching but cheap move would be to boost tax allowances for small companies.

With inflation low, Mr Clarke might be tempted to freeze income tax allowances, saving some £750m, and use the proceeds to widen the 20 per cent reduced rate income tax band to £4,000 from £3,000. Mr Dilnot said Mr Clarke might also seek to tidy up the tax treatment of savings. But the authors do not anticipate any radical change in the tax treatment of dividends.

The authors expect further increases in interest rates. Mr David Walton, Goldman's senior international economist, yesterday forecast UK bank base rates of 7 per cent by mid-1995 compared with 5.75 per cent at present.

Options for 1995: the Green Budget. Institute of Fiscal Studies, 7 Ridgmount Street, London WC1E 7AE. £10.

Unemployment down 400,000 from peak

By Philip Coggan, Economics Correspondent

Unemployment fell in every UK region in September among both men and women, according to figures released by the Department of Employment yesterday.

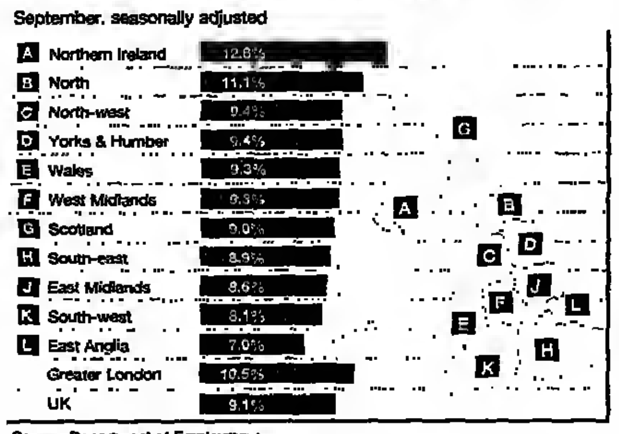
The number of people out of work and claiming benefit fell by 57,879 to 2.58m, or by 28,000 to 2.57m on a seasonally adjusted basis. Unemployment has now fallen by more than 400,000 since its peak in December 1992 and is at its lowest level since December 1991. The unemployed now represent 9.1 per cent of the workforce, down from 9.2 per cent in August.

The Labour Force Survey, also published yesterday, indicated that the fall in the unemployment total is at last being accompanied by a rise in employment. The survey found that employment rose by 65,000 between the spring and the summer and was 226,000 higher than in summer 1993. There was a bigger rise in male than in female employment and in full-time than in part-time work.

However, the LFS results, based on interviews conducted with households, show a different result from the workforce in employment survey, which is compiled from employers and showed a 35,000 fall in employment in the second quarter of 1994. The LFS has consistently shown greater rises in employment than the other survey.

Jobless levels fall in every region

September, seasonally adjusted



Source: Department of Employment

Claimant unemployment has now fallen for eight consecutive months, and by an average of 25,600 over the past six months, easing earlier fears that the rate of decline might be slowing. The Department of Employment said its estimate of the trend rate of decline was 20,000 per month.

However, unemployment is not falling as fast on the International Labour Office figures as it is on the official definition. Rather than measure claimants, the ILO statistics record those who say they are available, or looking, for work. On the ILO measure, unemployment fell just 11,000 between spring and summer.

The Department of Employment said the smaller fall in ILO unemployment might be because people who were previously classed as economically inactive had become sufficiently encouraged by the improved economic situation to start looking for work.

The number of vacancies at Jobcentres rose by 2,400 to 165,900 in September, the highest level since August 1990. However, this figure is well below the peak level of 263,000 during the mid-1980s boom.

Employment in manufacturing rose by 9,000 in August, the second consecutive monthly increase. However, manufacturing employment is still 34,000 lower than in August 1993. Overtime working in manufacturing increased slightly to 8.72m hours per week, while short-term working also rose to 0.29m hours per week.

Wage rise 'is faster than reported'

By David Goodhart, Labour Editor

Real wages are rising much faster than employers or the government are acknowledging, according to an analysis of the latest pay and inflation figures by Mr Chris Trinder of the Chartered Institute of Public Finance and Accountancy.

Mr Trinder said yesterday that real wage growth averaged 1.4 per cent in 1993-94 but could be as high as 2.5 per cent in 1994-95.

"When inflation rose from 1.4 per cent in November 1993 to 2.6 per cent in June 1994, earnings also increased from 3 per cent to 3.75 per cent. Now, despite inflation falling by 0.3 per cent in the third quarter of 1994, earnings remain flat and recent settlements, for example in the car industry, suggest that they will be higher in the 1994-95 pay round than in 1993-94," said Mr Trinder.

Last week Rover Group announced a pay increase of about 10 per cent over two years for its 33,000 workers.

Mr Trinder also claimed that public-sector pay is increasing in line with whole-economy earnings at 3.75 per cent. "If the public-sector pay bill is frozen for 1994-95 but public-sector earnings are increasing by 3.75 per cent then more than 200,000 jobs will have to be shed," he said.

Manufacturers push up their ability to compete

By Philip Coggan

British manufacturers have become much more competitive over the past year, recording a substantial rise in productivity and a fall in unit labour costs.

Figures from the Department of Employment, published yesterday, showed that manufacturing output per head in the three months to August was 5.3 per cent higher than in the same period of 1993.

Over the same period, manufacturing wages and salaries per unit of output fell by 0.8 per cent. The fall occurred because output was growing faster than average earnings.

Three-monthly figures smooth out volatile movements and slightly flatter the August performance. In August alone, output per head grew 4.9 per cent compared with the year before, while unit wage costs fell 0.3 per cent. Nevertheless, the Treasury welcomed the figures as showing that British industry was improving its ability to compete.

The underlying rate of growth of average earnings stayed at 3.75 per cent in the year to August. Apart from March and May, when it edged up to 4 per cent, the annual growth rate of average earnings has been steady at 3.75 per cent throughout 1994.

Within the earnings figures, however, there was a small rise in the production and manufacturing sectors. In both sectors, July's underlying annual growth rate was revised upwards from 4 per cent to 4.25 per cent, a figure which was maintained in August.

In the services sector, the annual rate of underlying earnings growth was unchanged at 3.5 per cent in August.

The underlying monthly figures for average earnings smooth out temporary factors such as industrial disputes. The seasonally adjusted annual earnings rate in August was 3.7 per cent, down from 3.8 per cent in July.

Mr Michael Saunders, UK economist at Salomon Brothers, said: "Average earnings growth has remained below 4.5 per cent for 19 months, the longest run of low earnings growth in the last 30 years."

Markets 'exaggerate' fears

By Peter Norman

Mr Eddie George, the governor of the Bank of England, yesterday said he thought bond markets were exaggerating the likely upwards movement in inflation in the industrial countries, including Britain.

Mr George told the British-American Chamber of Commerce that financial markets were also probably exaggerating the likely pace and size of the increases in short-term interest rates that might be needed to keep inflation down.

As Mr George was speaking, Britain's 10-year benchmark gilt-edged stock was yielding about 8.77 per cent and money markets were anticipating bank base rates of nearly 6.5 per cent in December against 5.75 per cent yesterday. Although the governor said he had learned to be cautious before second-guessing financial markets, his own guess was that the bond markets "were overdoing it a bit" in their views of inflation.

He listed several reasons for supposing that the effect on inflation of the economic expansion would be less than before.

- There was a policy consensus on the importance of maintaining price stability. Efforts were being made to cut fiscal deficits while central banks were aware of the need to tighten monetary policy before inflation is seen in statistics.
- Interest rates were high in real terms, while money and credit were growing slowly in the big economies.
- There is – in Europe at least – a "huge overhang" of structural unemployment. One result was that upward pressure on labour costs is likely to be weaker than before.
- Competition everywhere is intense. This was an important reason why inflation in several countries had been lower than expected.

Scottish business 'feeling confident'

Scottish companies are confident about the prospects of recovery, but are finding progress slower than expected, according to a survey of the region's five main chambers of commerce.

It found confidence still rising – although at a lower rate than previously – in manufacturing, construction, wholesaling and tourism. Factories were continuing to find a strong increase in orders and sales.

However, confidence was still falling in the retail sector as tax rises continued to have an effect.

The quarterly survey by the Fraser of Allander Institute, an economic research body at the University of Strathclyde, said results in the third quarter did not generally live up to expectations, with wholesaling the only sector where performance outstripped expectations.

City aims to woo Russian companies

The Corporation of London will take advantage of the Queen's state visit to Russia next week to promote the City as Europe's leading financial centre and attract Russian companies to London.

London has become a haven for Russia's new rich and an increasingly important centre for dealmaking involving Russian companies. Last month the Corporation helped the Chartered Association of Russian Commercial Banks to set up an office in London and has encouraged Polish and Georgian businesses to set up centres in the City.

The Corporation launched a trading initiative this summer in central and eastern Europe to promote the network of financial, legal and other facilities offered by the City.

DTI moves to end pyramid groups

The Department of Trade and Industry has moved to close down two more pyramid selling companies.

It has petitioned the High Court to wind up Powertag Programme and Headlogic.

The DTI claims that Powertag took over the membership of the Alchemy Foundation, a pyramid selling company wound up in July this year, with 8,000 members.

Investigators say Powertag continued "to enlist new members into money-making schemes which were incapable of making forecast returns to more than a small fraction of those who participated."

The DTI also claims Headlogic took over certain assets formerly owned by Quillpunch, a company linked to Alchemy.

Tunnel go-ahead

An Anglo-French safety commission yesterday gave the go-ahead for the start of international train services through the Channel tunnel between London, Paris and Brussels. The Eurostar trains are expected to start commercial services next month.

Early summer sales aid inflation figures

By Gillian Tett, Economics Staff

A shift in the timing of this year's summer sales, supermarket price wars and a fall in the petrol price all helped to lower the annual rate of inflation last month.

The Central Statistical Office yesterday said that the retail price index rose to 145.0 last month, with 100 representing the prices in 1987.

This was 0.2 per cent higher than the previous month, and 2.2 per cent higher than the same period last year.

One reason for the lower inflation rate was that the cost of household goods, clothing and footwear rose by less in September than they did last year in the aftermath of the summer sales.

This was mainly because the price rebound after the sales largely occurred in August this year, instead of in September as last year. This shift in the timing meant that the annual rate of inflation for these sectors looked high in August but slightly lower last month.

Clothing and footwear prices, for example, grew 3 per cent in September, after rising 2.2 per cent in August. This brought the cost of footwear and clothes back to exactly the same level it was before the summer discounts, and the same level as last year.

If the effect of the early price rebound is smoothed out by looking at a two-monthly basis, the figures show that the overall price swing in clothing and footwear was exactly the same as in the previous year.

Household goods rose by 0.5 per cent in September, compared with the previous month, after a monthly rise of 1.6 per cent in August. These rises were slightly higher than the 2.1 per cent fall that occurred in the sales in June and July.

They suggested that retailers remained wary of raising prices in face of strong consumer resistance, analysts said. Indeed, some suggested that retailers were likely to be particularly cautious about raising prices with the new stock this autumn after a fall in retail sales last month.

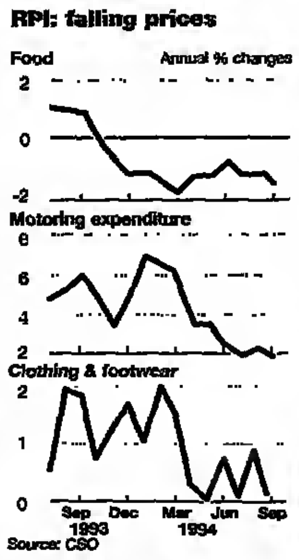
Elsewhere in the index, food prices fell in September by 0.8 per cent, compared with August, with a 0.5 per cent rise in the year to September.

The fall partly reflected continued price wars in the supermarkets, with non-seasonal food costs dropping by 0.4 per cent. But it was also flattered by a normal drop in seasonal food prices as a result of the harvests in Britain.

Motoring costs also fell, running 0.2 per cent below the level in August and 1.8 per cent above the same level last year. The key reason for this was a drop in the price of petrol, which had risen in August partly as a result of the oil strike in Nigeria. The yearly trend was also flattered by the fact that petrol prices rose last September.

Housing costs were 0.2 per cent higher in September than August, and 4 per cent higher than a year ago reflecting a continued rise in the average outstanding mortgage debt.

RPI: falling prices



Source: CSO

Pensions rise set to top price growth

By Gillian Tett

State pensions could be raised next year at a slightly higher level than the current rate of inflation for pensioners' households, official figures yesterday indicated.

But family credit, income support and housing benefit are likely be raised by slightly less than headline inflation.

The government uses September's inflation data each year to calculate the rate at which some benefits should be raised next April, but employs slightly different measurements of inflation for others. State pensions, along with other payments such as unemployment, maternity and sickness benefits, are raised according to the rate of annual growth in the all-items retail prices index.

If the chancellor raises them in the November Budget according to September's rate of inflation, next year's pensions should be raised by 2.2 per cent. This compares with a level of inflation for pensioners' households of 1.9 per cent in the third quarter.

Rises in family credit, income support and housing benefit are usually related to a a different index known as ROSSI, excluding rent, mortgage and council tax, which was 1.8 per cent in September.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1990=100), engineering orders (£ billion), retail sales volume and retail sales value (1990=100) registered unemployment (excluding school leavers) and unfilled vacancies (000s)

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1992							
3rd qtr.	98.1	94.1	27.0	98.6	104.8	2,806	118.4
4th qtr.	96.9	94.2	28.7	100.5	123.5	2,917	116.8
1993							
1st qtr.	98.6	95.0	29.3	101.8	105.0	2,982	120.9
2nd qtr.	97.1	95.1	28.3	102.3	110.0	2,926	123.4
3rd qtr.	98.1	96.2	28.3	103.6	111.2	2,914	128.1
4th qtr.	99.7	95.7	28.5	104.3	130.7	2,812	138.9
July	98.3	95.4	29.1	103.1	111.3	2,917	127.6
August	98.4	95.0	29.8	103.6	111.0	2,922	128.7
September	98.3	95.2	29.3	100.7	111.3	2,902	128.2
October	99.7	95.7	28.3	104.0	115.7	2,861	135.6
November	100.0	95.7	28.4	104.4	124.9	2,813	140.4
December	99.5	95.8	28.5	104.4	151.4	2,771	140.8
1994							
1st qtr.	100.7	97.2	30.5	105.4	110.7	2,764	141.2
2nd qtr.	102.8	98.7	30.5	106.3	114.8	2,682	149.1
January	100.4	97.0	30.4	105.4	110.0	2,781	140.9
February	101.9	81.4	31.9	105.0	106.8	2,753	141.1
March	100.6	97.2	30.5	105.7	115.3	2,718	141.9
April	102.4	98.4	30.5	106.2	112.8	2,682	146.4
May	102.9	98.9	30.4	106.2	114.4	2,681	147.8
June	102.5	98.1	30.5	106.4	114.4	2,643	153.0
July	103.0	99.2	31.8	107.0	118.5	2,630	157.3
August	102.9	98.9		106.6	114.8	2,594	163.5
September						2,568	165.9

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1990=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1992							
3rd qtr.	96.4	91.2	98.8	90.4	86.9	90.4	13.1
4th qtr.	94.4	93.6	98.8	91.9	84.1	91.9	10.8
1993							
1st qtr.	96.9	93.1	98.1	91.3	84.8	94.8	15.6
2nd qtr.	97.3	93.2	98.5	91.8	86.5	89.8	16.7
3rd qtr.	97.7	92.2	101.6	91.6	85.2	90.4	15.3
4th qtr.	98.6	91.9	104.2	91.5	85.5	90.1	15.5
July	97.6	93.1	101.2	92.3	85.8	90.3	15.1
August	97.4	92.5	101.8	91.3	84.8	90.8	14.7
September	98.1	91.1	101.9	91.8	83.6	90.3	16.0
October	98.8	92.8	104.0	92.1	86.3	90.2	16.3
November	98.8	91.5	104.9	91.3	85.8	89.5	15.7
December	99.1	91.2	103.8	91.2	84.8	90.7	10.3
1994							
1st qtr.	100.1	94.8	104.9	94.5	84.5	91.2	16.7
2nd qtr.	100.9	95.5	107.4	95.7	86.2	91.2	15.5
January	99.6	94.5	103.9	94.2	84.8	92.2	15.2
February	100.0	95.2	104.5	95.1	84.4	90.7	16.2
March	100.7	93.9	103.7	94.4	84.2	91.8	18.6
April	100.7	96.0	105.8	96.2	84.8	91.2	18.2
May	101.1	95.9	107.6	95.5	85.7	91.4	18.8
June	100.8	94.8	108.2	94.9	86.4	91.4	19.5
July	101.0	96.5	107.5	95.7	85.5	97.0	17.8
August	101.5	95.6	107.4	98.4	86.0	88.4	17.0

EXTERNAL TRADE- Indices of export and import volume (1990=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1990=100); official reserves (end period)

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade	Reserves US$bn
1992							
3rd qtr.	103.8	101.8	-3,327	-1,819	+342	100.9	42.88
4th qtr.	105.9	103.5	-4,128	-2,430	+414	98.8	41.65
1993							
1st qtr.	107.2	104.6	-3,345	-3,176	+473	103.9	40.90
2nd qtr.	109.6	102.3	-3,349	-3,166	+586	103.2	41.90
3rd qtr.	107.1	104.2	-3,190	-1,872	+805	104.1	43.04
4th qtr.	109.3	107.8	-3,385	-2,155	+884	104.1	42.93
July	104.7	104.4	-1,383		+581	103.6	43.22
August	110.1	100.3	-375		+240	104.0	43.18
September	108.4	107.5	-1,382		+181	104.7	43.04
October	110.2	106.6	-870		+225	103.9	43.55
November	105.7	105.7	-1,188		+207	104.2	43.60
December	108.9	110.0	-1,307		+250	104.1	42.93
1994							
1st qtr.	113.1	109.4	-2,894	-1,200	+894	104.8	42.92
2nd qtr.	110.7	107.7	-2,300	-695	+1286	102.4	43.37
January	113.2	108.3	-933		+273	105.0	43.45
February	110.0	109.1	-800		+314	104.1	43.41
March	118.0	110.9	-1,205		+307	104.9	42.92
April	116.2	108.6	-641		+409	103.2	43.45
May	113.5	108.5	-1,020		+394	103.7	43.46
June	118.3	109.0	-728		+492	102.7	43.37
July	117.2	108.9	-784		+375	102.1	43.59
August							43.04
September							43.46

FINANCIAL- Money supply (annual percentage change), M0, new M2 (retail deposits and cash), M4; bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmer. credit† £m	Base rate %
1992							
3rd qtr.	2.5	5.3	5.1	+5,239	-262	-18	8.00
4th qtr.	2.8	6.0	4.5	+4,011	214	+211	7.00
1993							
1st qtr.	4.4	4.9	3.4	+5,340	820	+420	6.00
2nd qtr.	4.8	5.7	3.2	+4,784	1,713	+534	6.00
3rd qtr.	5.3	5.5	3.4	+6,930	-69	+658	6.00
4th qtr.	5.5	5.5	4.3	+5,921	-263	+1129	5.50
July	4.5	5.5	3.4	+1,086	-61	+222	6.00
August	4.5	5.2	3.5	+2,327	-132	+258	6.00
September	5.0	5.5	3.4	+1,707	124	+479	6.00
October	5.4	5.8	3.7	+1,786	258	+329	6.00
November	5.1	6.0	4.5	+1,086	-400	+300	6.00
December	6.0	6.2	4.8	+3,679	-121	+500	5.50
1994							
1st qtr.	5.5	5.6	5.3	+4,368	-1,322	+1087	5.25
2nd qtr.	5.5	4.8	5.3	+5,347	681	+1271	5.25
3rd qtr.	6.0						5.75
January	5.2	5.4	5.0	+352	-285	+243	5.50
February	5.5	5.5	5.3	+1,211	-404	+357	5.25
March	5.7	6.0	5.6	+2,831	-653	+457	5.25
April	6.0	5.5	5.4	+859	386	+412	5.25
May	6.0	4.5	5.1	+1,842	370	+258	5.25
June	6.9	4.7	5.4	+2,848	-184	+603	5.25
July	6.5	4.8	4.7	+2,237	286	+348	5.25
August	6.7	4.8	4.7	+1,888	91	+832	5.25
September	7.1						5.75

INFLATION-Indices of earnings (1990=100); basic materials and fuels; wholesale prices of manufactured products (1990=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1992							
3rd qtr.	114.8	94.7	108.8	139.8	127.3	1,542	90.9
4th qtr.	116.4	100.7	109.7	139.6	127.7	1,648	78.8
1993							
1st qtr.	118.8	104.2	111.2	136.7	130.1	1,740	78.5
2nd qtr.	117.5	102.7	113.1	140.8	131.6	1,697	80.2
3rd qtr.	118.7	100.1	115.5	141.3	131.8	1,647	81.0
4th qtr.	119.5	100.1	113.9	141.8	129.5	1,622	81.1
July	118.3	101.1	115.5	140.7	131.8	1,690	81.3
August	118.9	100.3	113.5	141.3	131.5	1,636	81.0
September	118.8	99.0	113.8	141.9	130.9	1,615	80.5
October	119.4	98.7	113.7	141.8	130.0	1,594	80.4
November	118.7	100.1	113.7	141.6	129.1	1,619	87.9
December	119.5	101.6	114.5	141.9	129.4	1,601	81.7
1994							
1st qtr.	122.9	101.0	114.8	142.0	130.8	1,763	81.3
2nd qtr.	122.5	103.3	115.8	144.5	132.7	1,919	80.0
3rd qtr.		104.4	116.0	144.8	132.2	2,100	79.2
January	121.2	100.5	114.7	141.3	130.0	1,690	80.4
February	123.5	101.3	114.8	142.1	130.8	1,780	81.0
March	124.0	101.3	115.1	142.5	131.0	1,819	80.5
April	121.8	102.0	115.4	144.2	131.9	1,822	80.5
May	123.8	103.5	115.6	144.7	133.2	1,924	79.9
June	123.3	104.4	115.7	144.7	133.1	2,005	80.7
July	122.8	104.4	115.7	144.0	132.3	2,119	79.2
August	123.3	104.2	116.1	144.7	132.7	2,079	79.4
September		104.6	116.3	145.0	131.6	2,102	79.3

*Not seasonally adjusted †Net changes in amounts outstanding, excluding bank loans.

If you were reading this in our new Club Euro

Computer fraud shows sharp increase

By Alan Cane

Attacks on public-sector and privats-sector computer systems by thieves, hackers and virus writers have increased dramatically in the pust three years, the Audit Commission said yesterday.

The rise is a consequence of the spread of personal computers and computer networks but also the result of management negligence – managers are neglecting or refusing to put into practice measures which could contain or reduce computer fraud and hacking.

The commission says the total value of losses caused by computer abuse has risen by 183 per cent since the last survey – the average financial loss psr incident caused through fraud now stands at £28,170.

The commission reports on the incidence of computer abuse every three years. Its latest study – involving returns from over 1,000 companies – shows that the number of incidents of computer abuse reported has increased from 12 per cent of organisations canvassed in 1991 to 36 per cent.

At the sams time, there has been a 38 per cent increase in reported fraud and an eightfold increase in ths use of illicitly obtained software.

The commission says: "No sector is immune from computer misuse and the opportunity for fraud and other forms of abuse presents a very real threat."

Incidents reported to the commission range from an employee who gained access to her own and ber husband's debt records and reduced them, to a nurse who hacked into a hospital's computer system and prescribed potentially lethal drugs for one patient and altered treatment records for others.

The figures reported in the study will almost certainly understate the problem: organisations are notoriously shy of admitting incidents.

The commission complains: "Computer abuse occurs because of a lack of basic controls rather than any particularly sophisticated manipulation of procedures."

Management, it found, was not imposing adequate controls. It found almost 25 per cent of organisations had no internal auditing procedures, 60 per cent did not carry out security awareness training, 50 per cent had no computer audit skills and more than 80 per cent did not practise risk analysis.

There is a direct correlation between the incidence of fraud, the number of computers in use and the number of people who have access to the computers.

Measures taken during the recession to improve productivity may have made matters worse. The commission notes that as organisations use technology to reduce layers of management, they run the risk of removing controls and checks.

Opportunity makes a thief. HMSO. £8.50.

NHS hospitals 'selling land to fund repairs'

By Andrew Taylor, Construction Correspondent

More than a third of National Health Service trust hospitals expect to seli land or other assets to fund developments and repair programmes worth £1.27bn over the next two years, to a survey published today shows.

The findings underline the importance being attached by developers and construction companies to the government's privats-sector finance initiative, which expects a growing proportion of the country's infrastructure to be funded from private sources.

The recent revival in residential and commercial property values has led to sn increase in land sales and deals being offered by hospitals seeking funds to improve health facilities.

The study of the construction and property requirements of 178 trust hospitals by the Royal Institution of Chartered Surveyors shows that 34 per cent expect to use asset sales as their main source of funds for future developments.

Another 23 per cent expect to use finance raised from banks, leasing arrangements or some other private-sector source to support investments.

Royal Brompton National Heart & Lung Hospital Trust recently announced plans to give away land and buildings on its prestigious Chelsea site to private bidders willing to develop and run hospital services. The successful bidder will be given the opportunity to redevelop a redundant clinical building and nurses' home. Construction groups submitting bids include George Wimpey, Tarmac and Sir Robert McAlpine.

Barratt, Britain's third-largest bousebuilder, and Watford-based Country Metropolitan Homes have announced a joint £100m development plan at Highlands Hospital at Enfield, north London, which is transferring to the nearby Chase Farm hospital.

Mr Christopher Vickers, construction spokesman for the institution, said: "Growing pressure on trusts to self-finance building and maintenance works means that they are having to develop new funding methods. Our research shows that this is increasingly likely to be obtained through internally generated sources, such as sale of assets, rather than borrowing from banks or cost-cutting exercises."

Some 86 per cent of trust bospitals expected to carry out some form of new building work over the next two years with nearly two-thirds of trusts planning to spend more than £500,000, emphasising "the pent up demand for repair and maintenance work in the heath sector".

Estate agents pay price of boom years

Andrew Taylor reports on the background to Nationwide's sale of branches at three a penny

Few ventures illustrate more starkly the excesses of the late 1980s than the ill-fated pur*chases of estate agencies* by banks, building societies and insurance companies.

Nationwide, Britain's second biggest building society, *announced* on Tuesday it *was* selling for just £1 s total of 304 estate agency branches acquired since 1987 for £120m. Nationwide had made cumulative losses *of* £80m at the branches taking the society's total loss to £300m.

Abbey National bank *and* Prudential Corporation made *combined losses totalling* more than £500m when they sold their estate agency businesses *in 1993 and 1991.*

A quarter of UK estate *agency branches are estimated* to have closed since 1988.

Yet the logic of wedding the *financial services revolution to* the housing boom seemed *faultless in the late 1980s when* estate agencies were among *the busiest businesses in the* high street; house sales were running at more than 2m a year and house prices were rising sharply.

People who bought houses also needed mortgages and insurance, argued building societies and banks. What better way to market the growing range of financial services than to sell them all from the same shop? There was also a fear that if they did not buy estate agencies, other financial institutions would, cutting them off from potential mortgage sales outlets.

The rush to buy agencies prompted a feeding frenzy. The price of businesses soared as institutions measured success by bow many branches they had. Nationwide paid an average of almost £400,000 for each of the 300 outlets it is now selling at three a penny.

In 1988 there were estimated to be 16,000 estate agency branches owned by about 11,000 companies. This is estimated to have fallen to about 12,000 offices owned by about *6,500 companies. Half of all* housing transactions are han*dled by about 25 national con*cerns mostly owned by financial institutions.

None of these appear to have anticipated the severity of the *housing recession which saw* house sales in England and *Wales fall* from a peak of *2.1m* in 1988 to 1.1m in 1992 and which are only expected to reach 1.2m this year.

UK house prices have declined on average by 10 per cent since the third quarter of 1989 according to Halifax, Britain's biggest building society and owner of 530 estate agency branches.

The fall has been disastrous for agents who are paid only on completed sales and earn fees from commission based on a small percentage of the salc price. Incomes became insufficient to pay rents and rates on expensive high street properties and to meet salaries.

In a bid to curtail costs, smaller agencies reduced mailing shots and in some cases started to bill sellers for advertising. Some refused to market properties they felt were unrealistically priced. Heavy pressure was put on sellers to reduce asking prices in a bid to make sales.

Mr Harry Hill, managing director of Hambro Countrywide, which is acquiring the *Nationwide chain, says his* company had been successful *because it concentrated on sell*ing houses rather than financial services.

"In the past there was a temptation by building societ*ies to see a move into this busi*ness as an opportunity for more mortgage *lending.* Arguably this has been an expensive mistake."

Building societies which were generating a large slice of their loan portfolio from estate agencies may have found it more difficult to cut costs and close loss-making branches than smaller independents selling a single product. *Nation*wide says it won £2.5bn – representing 7.2 per cent of its mortgage business – over the counters of its estate agencies in seven years.

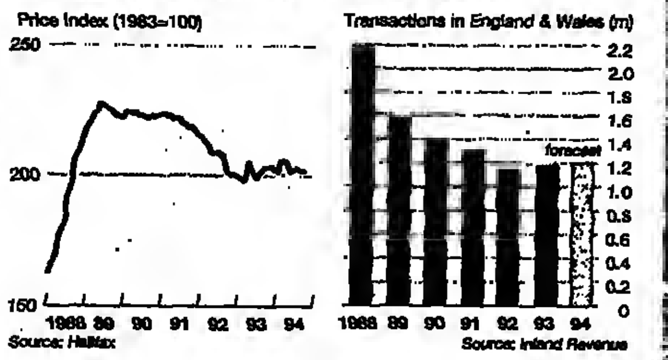
Mr Brian Davis, Nationwide's chief executive, says the disposal will allow it "to concentrate more effectively on our core financial services business." Hambro will offer Nationwide mortgages under a marketing agreement.

Halifax, however, intends to retain its 530 estate agency branches which it says generated a tenth of its mortgage business in the first half of this year even though the estate agency division itself made a £2m loss.

"We are strongly committed to the estate agency business which will improve as house sales increase," said the society.

The housing market, however, remains sluggish. A walk down most high streets suggests there still may be too many agents chasing too few sales in an industry where the cost of entry for the smallest independent may be little more than the rent on a shop, a car and a good photocopier.

Housing: figures behind the losses



Lydia van der Meer

Expensive mistake: once an average of £400,000 per outlet, Nationwide's has now sold 304 estate agency branches for just £1

Ford to offer free mobile phones

Ford will add a new dimension to the fierce battle for new car sales by offering a free mobile telephone and connection to the Cellnet network with almost every new car and van sold from October 18, John Griffiths writes.

The company, which is *spending £4m to promote the* venture, said it expects at least 100,000 buyers a year to *take up the offer* – about one in five of new Ford vehicle customers.

Mr David Thomas, Ford of Britain's marketing plans *manager, acknowledged* yesterday that the UK mobile tele*phone market* was a "jungle" with offers of "free" handsets typically offset by very high *line rental* and call *charges.*

However, Ford itself is an *airtime provider and says that* its line rental and charges are competitive with *the* rates charged for handsets that are sold typically for more than £175.

White paper due on rural areas

The government will publish a white paper on the future of rural areas by the middls of next year as a joint initiative between Mr John Gummer, environment secretary, and Mr William Waldegrave, agriculture minister.

The white paper will examine economic, social and environmental changes taking place in the countryside and discuss future needs.

School opposition to tests 'easing'

The NUT teaching union yesterday said opposition to national curriculum tests in England and Wales among its members was easing.

This year the NUT was the only union to boycott the tests, following a ban on them by all three main teachers' unions last year.

It is canvassing its members after the announcement last month by Mrs Gillian Shephard, the education secretary, of a £30m package of concessions to ease teachers' workload.

TSB strike off

Selective strike action planned by TSB members of the Bifu finance union was called off yesterday after the union accepted an annual pay award of 2 per cent.

Airports face capacity crisis

By Paul Betts, Aerospace Correspondent

Heathrow and Gatwick will have to turn passengers away from the beginning of the next century unless an additional runway is built to serve London's two busiest airports, according to a study commissioned by the British Air Transport Association, the UK airline trade organisation.

The report, which has not yet been published, warns that the proposed construction of a new £900m terminal at Heathrow and expansion at Luton and Stansted will not be sufficient to accommodate passenger demand in the London area after the turn of the century.

The debate over the need for additional runway capacity in the south-east is dividing the UK aviation industry. BAA, the airports operator, and British Airways argue that there is no urgent need for a new runway, while other airlines are pressing for additional runway capacity in the Heathrow-Gatwick area.

Both BAA and BA are anxious to avoid any controversy over a new runway undermining the proposed development of Terminal Five at Heathrow, which will be at the centre of a long and fiercely contested public inquiry starting in May.

BAA has argued that Heathrow requires additional terminal capacity but will not need additional runway capacity until about 2015. A fifth terminal at Heathrow would enable BA to concentrate operations at its main London hub.

The report expresses concern that the campaign for the terminal risks delaying any government decision on a new runway. It says arguments that the government need take no decision on a new runway until well into the next century are "dangerously misconceived".

The government is due to make a statement this year on the findings of a committee it set up to study runway capacity in the south-east.

"Our worst fear is that the government will take no decision and will be persuaded that the system can cope without any change for the time being," said Mr David Hopkins, the trade organisation's chairman and former head of Britannia Airways.

If the government were to sidestep the runway issue, it would delay any expansion programme by up to 20 years, he added.

This would give an advantage to rival European airports.

The study says Department of Transport figures show that capacity at Heathrow was between 96.8 per cent and 98.5 per cent this summer and Gatwick was between 95.2 per cent and 95.9 per cent.

Capacity is available at Stansted and Luton, but the study emphasises that airlines are mainly interested in serving Heathrow and Gatwick.

Tory MP for Dudley West dies

By David Owen

The government was yesterday faced with the likely redaction of its Commons majority to 13 after Mr John Blackburn, the Conservative MP for Dudley West, died of a heart attack aged 61.

Mr Blackburn's death in the early hours of yesterday morning leaves the Conservatives facing a by-election in a marginal Midlands constituency at a time when the party is trailing Labour in the polls.

It reduces the government's majority temporarily to 14, but Labour would be disappointed not to make further inroads by overturning the majority of 5,789 that Mr Blackburn had in the 1992 general election.

Such a result would make it even harder for the government to push controversial legislation, such as the planned Post Office privatisation, through parliament.

Mr Blackburn, a former policeman and one-time sales director of Solway Engineering, was staunchly loyal to the party line throughout his 15-year parliamentary career.

Report fuels homes-for-votes row

By John Authers

Pressure on Westminster City Council will intensify today with allegations in a BBC television documentary that councillors were misled over the contents of the consultants' report used to justify the council's controversial housing policy.

Public hearings start next week into the district auditor's provisional report that Westminster sold council houses between 1987 and 1989 in a deliberate attempt to bolster the Conservative vote in eight marginal electoral wards.

In January, Mr John Magill, the district auditor, described this as "gerrymandering", and ruled provisionally that five councillors – including Dame Shirley Porter, Westminster's former leader – and four officers should be surcharged £21.25m to repay the money wasted on the policy.

However, the BBC documentary, *First Sight*, claims that the policy was part of a "long-term objective" to "socially engineer the city's population". It produces a council document from September 1986 which says: "The sale of council properties offers little opportunity to socially engineer the population of Westminster. This should remain a long-term objective."

A Conservative councillor, Mr Anthony Prendergast, told the programme that councillors were misled over the findings of a report which found that Westminster was losing population. He said: "I think they decided to re-interpret some of the conclusions to suit their own means . . . trying to obtain a population which is more likely to vote Conservative than Labour."

Yesterday, Mr Peter Bradley, a Labour councillor and one of the objectors to the policy who first called for the district auditor's investigation, said: "I just think it's a sad reflection on the state of the Conservative party that it's taken him this long to speak his mind."

Old ideas on benefits get dressed up in new clothes

David Goodhart on cynicism over a new allowance unveiled to the Tory faithful

The Jobseeker's Allowance, the new benefit which will combine Unemployment Benefit and Income Support, was yesterday being paraded around the Conservative party conference. But in the Jobcentres there is confusion about what it will mean, and a certain cynicism about how much of tha proposal is new.

Mr Michael Portillo, employment secretary, and Mr Peter Lilley, social security secretary, both stressed yesterday that the allowance is part of a tough new contract between the unemployed person and the state.

Mr Portillo told the Tory faithful: "We shall ask those seeking a job to make a bargain with the taxpayer: to commit themselves to follow a solid programme of action directed towards getting work. They must agree to apply for jobs, go to interviews, attend courses, [and] get retrained."

This emphasis on the contract and on the fact that an unemployed person can turn down a job offer or a training place only if he or she has very good reason is the closest Britain gets to the idea of working for benefit, or workfare.

But Mrs Margaret Walker, manager of 12 Jobcentres in south-east London, points out that her officials can already, after 13 weeks, take away benefit from people who are turning down jobs or making insufficient effort to find work.

Taking away benefits happens relatively seldom. Mrs Walker says said that only just nine people in her area – which includes some of the highest levels of unemployment in Britain – have been refused benefit for turning down a job offer this year out of 53,000 unemployed.

The number is small not because staff are "soft" – the figures are similar all over the country – but because of the relatively long procedures and the fact that few claimants will allow the process to get to the final stage.

The idea of the contract between claimant and the state is a development of an existing idea. Mr Robin Smith of Greenwich Jobcentre in south-east London said: "We already havs back-to-work plans that a claimant must sign, so we are a bit puzzled about what all the fuss is about."

These back-to-work plans are tailored by staff to each individual claimant. They may, for example, require a claimant to visit a Jobcentre twice a week and to make a certain number of job inquiries.

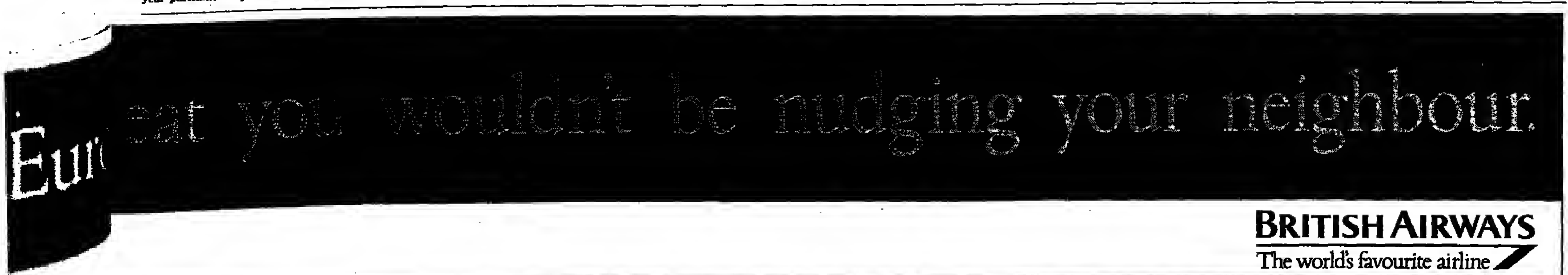
The cynicism of Jobcentre staff towards the more political aspects of the allowance does not mean they are opposed to it. Mrs Walker said: "It has been causing some anxiety because so few details have been released so far. That should end next month when a white paper is published, with a view to the new benefit being introduced in April 1996.

Anything that brings the Benefits Agency closer to the Jobcentres – part of the Employment Service – is welcomed. Jobcentres are now responsible for Unemployment Benefit, which is about £44 per week.

Jobcentres also act as agents for the Benefits Agency in paying the most important benefit, Income Support. This is complex and governed by different rules to Unemployment Benefit, and claimants often have difficulties Jobcentre staff cannot solve. The new allowance will mean more Benefits Agency staff in Jobcentres.

Merging the benefits will be a relief to most claimants and staff. But it is a long-overdue technical reform, which cannot stand the weight of political rhetoric being placed upon it.

Conference reports, Page 12



Muzak to the ears

Virginia Matthews considers the arguments for background music everyone loves to hate

Astronauts listened to it in the Apollo lunar spacecraft and it was the last thing to be switched off in the American embassy as the US evacuation of Saigon reached its climax.

Muzak, 60 years old this month, is to its critics inextricably linked to "elevator music" – where Mantovani meets Liberace in achingly bland disharmony.

Yet thanks to Muzak's thousands of clients, who consider customised music more as a sales tool than noise pollutant, Muzak's product is far from being stuck between floors.

Invented by Major General George Squier, a retired US army signals officer, Muzak began as a dance medley service, played down telephone lines to subscribers for 11 cents a month.

The notion of piped music was later seized on by the US's newly-influential industrial psychologists, who saw it as a cost-effective way to increase productivity in the workplace.

As worker motivation appeared to improve with melody, so too did the enthusiasm of shoppers who appeared to linger longer and spend more.

Following a series of successful Muzak experiments in big New York stores, a national phenomenon was under way.

Now, Muzak's 12 channels – only one, the "environmental music channel" could be described as elevator music, the rest being anything from contemporary jazz to the Rolling Stones – have spread to aircraft, hotel lobbies and restaurants, as well as in the waiting rooms of doctors and dentists.

Piped music has also spread to switchboards, which play the "hold music" that is designed to soothe irate callers, but which often raises, rather than reduces blood pressure levels.

Curiously, Muzak has failed to thrive in Britain. For while its name is a by-word for those who dislike background music, the self-proclaimed "audio icon" and "tunesmith" from Cleveland Ohio, has not been in the UK since the early 1980s, when its last UK franchise ran out.

"We are used to being blamed for all background music," says Leslie Fitter, the company's director of marketing.

"But as far as Britain goes, Muzak is blameless."

While Muzak continues to supply tapes to more than 200 international franchisees, mostly broadcasters, who receive the soundtracks via a satellite link, the piped music that has invaded the UK is entirely the work of others.

Be it "acid jazz" music played full pelt at fashion retailer French Connection, or Tommy Steele's Little White Bull keeping the tiny punters amused at Mothercare, retailers instinctively know what appeals to their own target audiences. Or do they?

Ritter, who hints that a significant UK franchise deal is imminent, argues: "Nothing comes close to the expertise of a company that has specialised in business music for 60 years. "It's fine for a store manager to bring in his favourite CD, but no one should pretend that any real thought goes into it.

"Our research indicates that the majority of the customers who notice it feel that the music adds to the enjoyment of their shopping trip"

"Our service begins with a full consultation with a senior Muzak executive who finds out the demographic profile of the company, its desired atmosphere and how it is currently perceived.

"We then recommend a programme that both meets the firm's music needs and possibly includes a customised programme of marketing messages for nse inside tbe store or on the switchboard."

If and when a deal with Muzak is struck in the UK, the full power of Muzak's service will be unleashed: everything from the hitline channel of today's top pop tracks, to the classical channel, country and western and oldies – a blend of 1960s and 1970s music that seems to go down so well with baby boomers.

If piped music is genuinely unpopular with consumers, as its critics would have us believe, why do so many retailers continue to use it?

Harrods, which uses both "hold music" and in-store piped music, says: "If music was a real irritant to our customers there is no way that we would play it. After all, the idea is to open wallets and purses, not to get them slammed shut.

"We believe that what people actually object to is this fashion for elevator music or meaningless noise, the sort of thing we would never play in nur elevators or anywhere else for that matter.

"What is appreciated is music that is appropriate to the department . . . anything that adds to the ambience, rather than distracting from it, is welcomed by our customers."

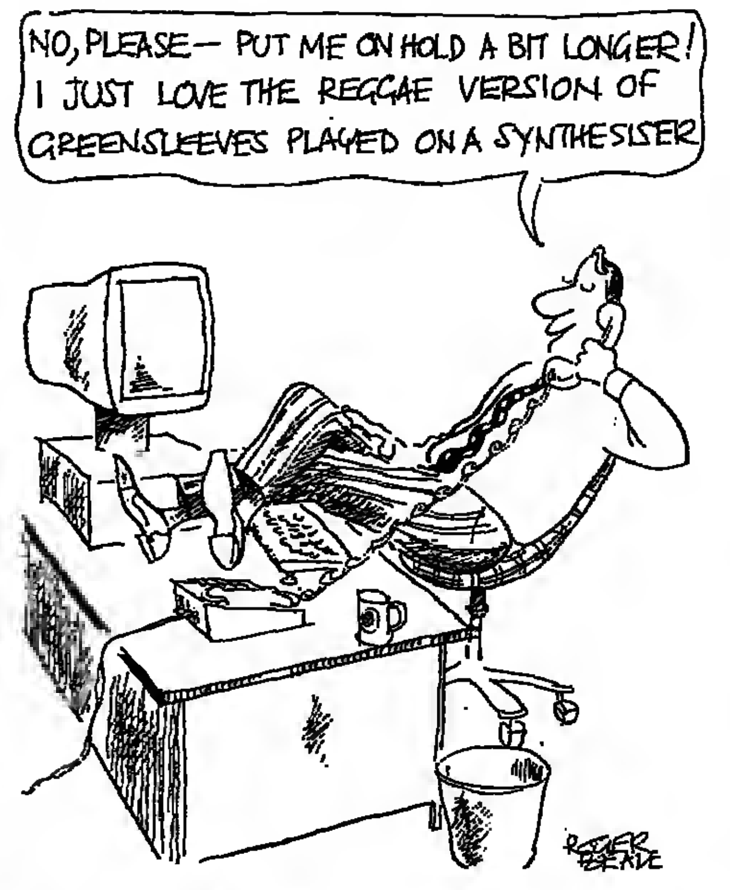
While Harrods plays it safe by having music-free zones on the ground and first floors and in the lift areas, Mothercare's music is unmissable throughout the store.

"Our research indicates that the majority nf the customera whn notice it feel that tha music adds to the enjoyment of their shopping trip," says Mothercare.

While 1990s industrial psychologists are less mesmerised by the power of mnsic than their 1930s counterparts, Muzak's claims continue. The latest research from Cleveland suggests that piped music increases the number nf shoppers who make it to the cash till by 17 per cent.

In annther study, two-thirds of customers say that Muzak is preferable to silence, adding that customer service is "bound to be better" in piped music stores.

But of the consumers who walk out of stores or hang up just as soon as Greensleeves starts up? Not a mention.



Red card for rules on TV sport

Government restrictions which prevent Wimbledon, the FA Cup and other big British sporting events being shown on a pay-per-view basis on UK television should be scrapped, a discussion paper argues today.

In the current edition of Consumer Policy Review* Philip Cullum, manager of policy research at the Association of Consumer Research, says the "listed events" rules introduced under the 1990 Broadcasting Act "work against the interests of consumers". They do not, for example, require consultation with consumer groups on content of the list or grant consumers rights to see events on television. Instead they protect established broadcasters against satellite and cable company competition.

Cullum says that by handing exclusive rights to terrestrial broadcasters – instead of simply removing exclusivity from the reach of pay-per-view channels – the rule could deprive viewers of innovative new services.

He also argues that the system is anomalous – if Scotland played England at football in the 1996 European Championship final "the game might be shown on a pay-per-view basis, but if Lithuania meets Liechtenstein in the next World Cup finals the match could not be shown on a pay-per-view basis".

At present satellite broadcasters like BSkyB, in which the Financial Times' parent Pearson owns a stake, only offer subscription channels. The House of Commons Heritage Select Committee, however, has recommended the relevant section of the 1990 Act be extended to such channels. Cullum says it may be appropriate to regulate televised sport in other ways. He thinks BSkyB's charges should be closely monitored by the Office of Fair Trading.

*Published by the Consumer's Association.

Tim Dickson

Face to face with the interactive future

Diane Summers finds consumer attitudes can affect the development of new media and the influence of advertisers

The techno-buffs may be talking excitedly abont the convergence of technologies, interactivity, the information snperhighway and so on. Bnt for many, the concepts are absurdly futuristic and are to be feared. At the opposite extreme, some consnmers are already bored even befnre the technnlngy has become a reality.

Consumer attitudes will clearly affect how new media develop, who users are and bow mnch inflnence advertisers will be able to wield. Researchers at the London office of advertising agency Ogilvie and Mather decided, therefore, to explore through discussions with groups of consumers, what attitudes are forming.

To begin with, the very notion of "convergence" between televisions and compnters appears to be distasteful to many. While the techno-buffs are striving to pull everything together, consumers are fighting to push them apart. The group discussions highlighted the way in which the compnter is seen as synonymnns with work, while the TV equates with leisure. The last thing many people want is for the two to be confused – a fear particularly strong among "techno-literate" consumers.

The research, which was condncted for O&M by the Hallam Hopper group, was unvelled yesterday. Four sets of group discussions, each of three hours duration, were held with British adnlts, while two, two-hour gronps of 13 and 14-year-olds were also held. Researchers also talked to 16 and 17-year-old "compnter literate" young adults. All groups had access to, for example, CD-Rom, and were able to play games, explore a 3-D atlas and thumb through an interactive Argos shopping catalngue.

The groups were also shown a futuristic film of a world where portable screens would be used to conduct a face-to-face meeting, go shopping, carry out an operation and redesign a building. The technology which was presented through a soap opera-style story in the film, still appeared to leave room for traditional family valnes and meaningful personal relationships.

Not surprisingly, some of the discussion group members found it difficult to project themselves into such scenes or the science fiction realms of, for example, virtual reality. Others were cynical about the differences that would be made to their lives.

Beth Barry, O&M planning director, says this cynicism is born of experience: "Ten years ago we were told everybody was going to have hundreds of channels on their television and that video recorders were going to change our lives because we'd all be timeshifting." The reality is that only about 17 per cent of UK households have cable or satellite and video recorders are mostly used for watching pre-recorded films, she says.

People's ability to rednce everything to a "so what" should never be under-estimated, says Barry. There were comments from tha group such as: "So yon can tap into your TV and order np a bottle of Dettol. But, in the and, what you're left with is still a bottle of Dettol."

The technology might be perceived as mundane in certain respects, but the group discnssions also unearthed the usual fears abont "the machines taking over" – expressed by the adult technophobes. There were also fears abont drowning in information, as well as losing high-quality British TV and the surprises it can offer.

The positioning of converging technologies are vitally important to advertisers – whether, for example, entertainment services, home shopping and banking are seen to be extensinns of the TV or the compnter.

If consumer perceptions are that the information superhighway will be ronted principally through the TV then the mass market is there to be tapped. However, if advertisers seek the more up-market audiences, there will be more benefit in emphasising the technology's compnter pedigree.

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Expressions of interest are invited from firms able to help the Russian Ministry of Fuel and Energy set up an autonomous center in Moscow (i) to help Russian oilfield equipment manufacturers compete for approximately $500 million of contracts under two World Bank-financed oil projects starting in November 1994 and (ii) develop other measures aimed at helping them increase their international competitiveness. Knowledge of API/ISO standards, familiarity with Russian and foreign oilfield equipment manufacturers and experience with World Bank procurement procedures are a must.

This project has the support of the World Bank which will work closely with the Ministry in establishing the center and supervising its work. If you are interested in further information about this important assignment, please contact Mr. A. T. Shatalov, Deputy Minister, Ministry of Fuel and Energy, Moscow, Russia, Fax. No. (7095) 220-56-56.

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Name of company: BJM Engineering Limited. Registered No: 1584438. Trading name: BJM Steel & Engineering Limited. Nature of business: Trade classification: 46. Name and address of joint administrative receivers: David John Stokes and Edward Klempka, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Office holder numbers 2682 and 5791. Date of appointment: 30 September 1994. Name of appointer: Yorkshire Bank plc.
Signed: D.J. Stokes
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PEOPLE

Pennington's flight path to Royal

Royal Insurance has appointed a marketing specialist as managing director of The Insurance Service, its direct writing insurance arm.

Sydney Pennington is a former sales and marketing executive of retail group Marks & Spencer and, more recently, former joint managing director of Richard Branson's Virgin Atlantic.

Royal was one of the first composite insurers to follow the market leader Direct Line Insurance by setting up a direct insurance arm; but competitioo has increased as others have started to sell insurance policies via the telephone and advertising.

Royal Insurance is hoping Pennington, 49, will raise the profile of The Insurance Service, which started in 1988 and currently insures more than 400,000 private motorists and households.

The time is now right, says Pennington, "to go into the next stage which will be a more rapid period of growth". He expects the company to develop and expand sales nf new products, particularly in house insurance, and also to try to increase the amount of business it conducts with each customer.

With direct insurers breaking down the traditional method of buying policies via brokers, Pennington's previous experience in building customer links will prove helpful; at Marks & Spencer he was involved in the development of the group's "neighbourhood" food stores; at Virgin he helped develop the group's Megastores.

One disadvantage Pennington faces is The Insurance Service's relatively little known brand name. Last year Royal Insurance began a pilot project using the title Royal Insurance Direct. For now, Royal Insurance appears content to run the two as separate operations; it believes that each may be able to target different client groups.

New partners at Goldman Sachs

Michael Sherwood, 29, one of the driving forces behind Goldman Sachs' rise np the Eurobond league tables, has been rewarded for returning to the fold by being made a partner of Goldman Sachs.

Sherwood, who quit Goldman at the start of the year only to rejoin the firm a month later, and Richard Sharp, son of the late Lord Sharp, the former chairman of Cable and Wireless, are two of the 11 new London-based general partners elected to the 125-year-old partnership.

Goldman is the largest private partnership remaining among the major US investment banking and brokerage firms. Its partners are repnted to earn a minimum of between $3m and $5m a year – hence competition for the biennial ritual of elevation to tha partnership is fierce. This year Goldman appointed 58 new general partners, more than ever before.

Apart from Sherwood and Sharp, Goldman's new London-based partners are: David Blood, Treasnry, operations, technology and accounting; Zachariah Cobrinik, Japanese equity link trading; Gary Cohn, metals trading; Michael Evans, equity capital markets; Scott Kapnick, corporate finance; Scott Mead, IBS communications and technology; Kipp Nelson, derivatives triple joint venture; Wiet Pot, Euro share sales; Anthony Williams, derivatives triple joint venture.

(See Observer).

Peter Hinchcliffe, 47, one of the founders of the Iceland frozen food chain, is stepping down as joint managing director, thus ending a 24-year partnership which started when he and Malcolm Walker, 48, Iceland's chairman and chief executive, opened their first shop in Oswestry.

Hinchcliffe (pictured in Iceland's warehouse at Shotton) and Walker were both deputy managers of Woolworth stores in North Wales; in their spare time they sold strawberries to passing motorists on the Horseshoe Pass. In 1970 they went into business full time and have built up a chain of almost 700 stores in the UK.

Hinchcliffe says he wants to reduce his involvement in the company in order to pursue other business interests. He will retire as joint managing director and deputy chairman at the end of the year. He will remain a non-executive director and has been retained as a consultant for two years.

He says he has no plans to reduce his shareholding of around 3 per cent in Iceland.

Linus Cheung, 45, (left) who took over as chief executive of Cable and Wireless's Hongkong Telecom business in March, is to join the main C&W board as an executive director on January 1. Cheung, who was born in Hong Kong, joined the Swire Group as a management trainee for Cathay Pacific Airways in 1971 and spent most of the next 18 years working for the airline. In May 1989 he was seconded to the Hong Kong Government's "think tank" for two years. He rejoined Cathay Pacific in 1991 and had just been appointed deputy managing director when he was headhunted by Hongkong Telecom.

Cawthra quits Miller Group

David Cawthra is to step down as ceo of the Miller Group, the Edinburgh-based construction company, after three years in the post, and hand over to Keith Miller, a member of the family which owns it. His departure was by mutual consent, the company says.

Cawthra, 51, joined Miller Group from Balfour Beatty where he was ceo for three years having been with the company since 1979. He was appointed by James Miller who stepped down as ceo but remained chairman.

At the time Cawthra said he wanted to make Miller bigger "both in size and in its worth to the shareholders", and saw "big opportunities" for up and coming companies "which seem to have been hit less hard by recession than have the large ones". But Miller was not immune to the economic downturn and in 1993 lost £11.9m including exceptional items.

Yesterday he said it "had always been my expectation that a time would arise when it would be appropriate for Keith to take over and I fully agree that that time has now been reached". He has no new job to go to and will work at Miller till the end of the year.

The company said both parties felt it was time for Miller to be led once again by a member of the family. Cawthra's departure did not presage any nasty surprises in the current year's results, it said.

Keith Miller, 45, has been responsible for the group's mining activities in the UK and US and yesterday learnt that Scotcoal, its joint venture with Ryan Mining, had been unsuccessful in its bid for the assets of British Coal in Scotland. He is also md of Miller Developments which handles all the group's commercial property ventures and investments. Educated at Heriot Watt and Glasgow universities, he has worked with Miller Group since 1976.

Keith Miller is the younger son of the late John Miller, one of the three founding shareholders of the Group and a first cousin of James Miller.

■ Graham Foster has been promoted to md of EVE GROUP; Garry Orpen, md of Eve Graham and Eve Arclive, has been appointed to the main board, and Derek Haynes promoted to md of Eve Structures.

FINANCIAL TIMES SURVEY

BULGARIA

The privatisation programme has had only limited success so far **Page 2**

Recent arrivals indicate improved prospects for the tourist industry **Page 3**

Thursday October 13 1994

Although Bulgaria is going through a painful period of transition, it has managed to renegotiate its foreign debt and remains a force for stability in a turbulent region, says **Anthony Robinson**

Light at the end of the tunnel

After five painful and confusing years of political and economic re-adjustment, Bulgaria is heading for general elections which are likely to bring back into power politicians with their roots in the communist past.

If so, this Balkan country of 8.5m people will be following a trend well established elsewhere in central Europe. In recent elections in countries such as Poland and Hungary, the political experience and party organisation of former communists have combined to defeat the inexperienced "democrats" who inherited the vacuum of power and bankrupt economies left by the collapse of Soviet hegemony over the region.

In some respects Bulgaria is ahead of the trend. The anti-communist Union of Democratic Forces (UDF) which helped oust tbe communist regime and won the 1991 elections, collapsed 11 months later after losing an unnecessary no-confidence vote.

The government which replaced it in December 1992, a non-party "government of technocrats" headed hy Lyuhen Berov, a former university professor, was supported in parliament hy the votes of the Bulgarian Socialist Party (BSP), successor to the defunct communist party led for several decades by Todor Zhivkov.

Many Bulgarians interpreted this as allowing the BSP to regain power hehind tbe scenes, ensuring that institutional, economic and other reforms were either delayed or implemented in a way which benefited the communist era managers and power brokers who retained jobs throughout the state and local administration and largely controlled the economy.

Given the totalitarian nature of former party-state regimes throughout the region, such a development is unsurprising. The old system specialised in co-opting talent into its various sectors, leaving non-party people in subordinate or purely technical positions.

Centuries of Turkish suzerainty and economic backwardness in tbe Balkan region retarded the development of a substantial middle class and modern institutions. This facilitated the subsequent re-imposition of feudal-type communist power relations under Soviet influence after the second world war.

Seen from this historical perspective, Bulgaria bas performed somewhat better than any of its Balkan neighbours since the collapse of the Soviet system.

In Yugoslavia, former Titoist communists turned themselves into rabid nationalists and violently tore the country apart. In Romania, Ion Iliescu, a senior communist party official sidelined by the dictator Nicolae Ceausescu almost 20 years earlier, seized power after the palace coup of December 1989 and was able to legitimise his grip at subsequent elections.

What is more, in contrast to Greece's nationalist claims in Albania and its mounting of a wounding trade embargo on the former Yugoslav republic of Macedonia, Bulgaria bas preached moderation and practised good-neighbourliness nnder its pro-western president, Zhelyu Zhelev, a former professor and UDF leader. As a result, Bulgaria has remained an island of good sense and stability in an otherwise turbulent region.

Domestically, the much-maligned Berov government also provided the necessary stability and continuity to conclude debt reduction negotiations with both tbe Paris Clnb of official lenders and the London Club of commercial bank creditors.

Before resigning at tbe beginning of September this year the government also concluded a smaller debt swap and repayment deal with Russia, together with a new trade and investment agreement.

Under this agreement Bulgaria will become ona of the main transit routes for future exports of oil and gas from the Caspian region to the Mediterranean and southern European markets.

Tbe prospects for an increased flow of trade and investment between Bulgaria and Russia and other former Soviet states – especially Ukraine and the central Asian states – are linked to tbe expected economic revival of former Comecon markets which five years ago accounted for more than 80 per cent of Bulgaria's trade.

Now tbe proporiion is between 35 and 40 per cent with more than half of Bulgaria's trade taking place witb OECD countries. The aim is to continue developing trade in both directions in order to avoid the over-dependence seen in the past on the former Soviet market.

Tbe combination of economic recovery in the German and other European Union markets and the prospect of growing trade on a new market-oriented basis with the middle east and former Comecon states is laying the basis for an export-led economic recovery after five hard years of declining production and real incomes.

For this to proceed, however, Bulgaria desperately needs more foreign and domestic investment with which to modernise its obsolete industries, improve the energy, transport and telecommunications infrastructure and complete the present structural sbift towards a more modern service, food processing and light industry based economy.

In the short run, the recent sharp devaluation of the Lev, the Bulgarian currency, has improved the price competitiveness of Bulgarian goods and services, albeit at the cost of increasing inflationary pressures and further depressing real incomes.

Growth prospects have been aided by a sharp recovery in tourism, increasing transit traffic from Macedonia, higher foreign investment, and the first signs of recovery in the disorganised agricultural sector.

Overall, tbe economy is expected to show no growth or possibly a marginal rise in gross domestic product this year after five years of steep decline.

While encouraging for the future, the first signs of economic recovery are unlikely to provide much of a "feel good factor" for most Bulgarian voters. Too often a free press and open political debate has led to a popular perception of pervasive corruption, criminality and political incompetence.

The promised mass privatisation programme remains mired in technical detail while the unemployment, loss of social security and high inflation affecting many Bulgarians contrast with the high-spending lifestyles of the new rich.

A growing number of private business people are working hard to build up legitimate companies, living modestly and re-investing profits.

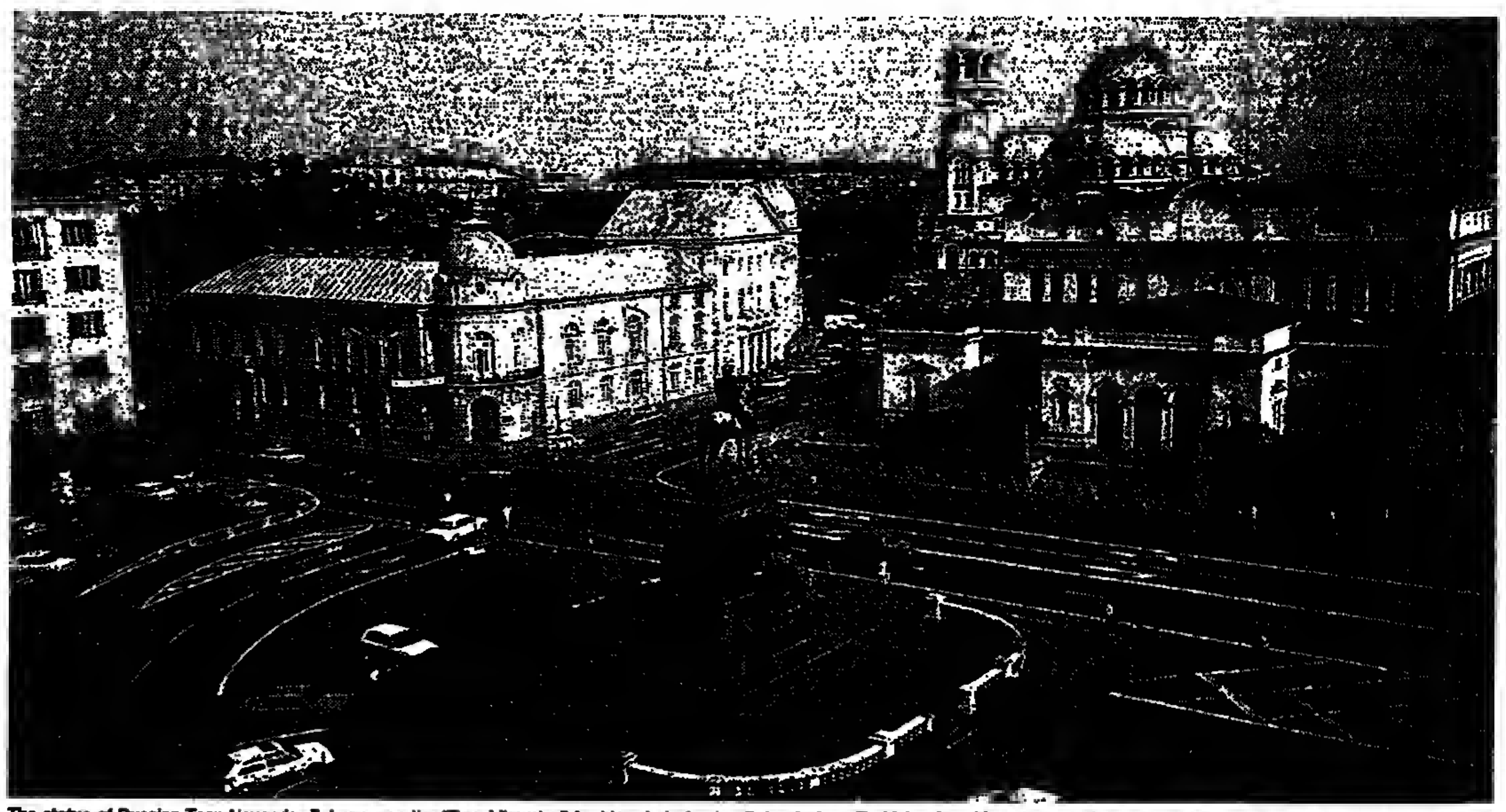
However, with the Serhian border just 50km from Sofia, the capital's refurbished shopping streets, new restaurants and casinos have become filled with large men whose swaggering walk and ostentatious wealth is assumed to come rather from smuggling, drug trafficking or money laundering than from honest toil and respectable entrepreneurial activity.

All this has brought the politics of envy back to Bulgaria, reflected in the rising popularity of the BSP with its implied promise of a partial return to the security of the old regima under a new generation of leaders more comfortable with market notions of economics and bourgeois concepts of legality.

Opinion polls also reflect disillusionment with the factional rivalries within the UDF which is heading for elections under the same leadership that failed to retain power in 1992 and has lost many of its more competent and moderate leaders since.

The men to watch are the Socialist Party's young generation of politicians such as Zhan Videnov, the party's 36-year-old leader, and especially those from the BSP's social democratic wing sucb as George Pirinsky, who are seeking to realign Bulgarian politics and create a moderate, left of centre grouping in the future parliament.

Above all, the need is to strengthen the rule of law and provide a level playing ground for the development of legitimate, tax-paying private business and to encourage the development of a responsible middle class to underpin democracy.



The statue of Russian Tsar Alexander II, known as the "Tsar Liberator" for his role in freeing Bulgaria from Turkish rule, still surveys the Bulgarian parliament and Alexander Nevski cathedral in the heart of Sofia. Russia and Bulgaria are moving closer again, but now the links are mainly economic and the relationship is one between sovereign states *Anthony Robinson*

Bulgaria has preached moderation and practised good-neighbourliness under its pro-western president, Zhelyu Zhelev

Prospects for growth are improving, says **Anthony Robinson**

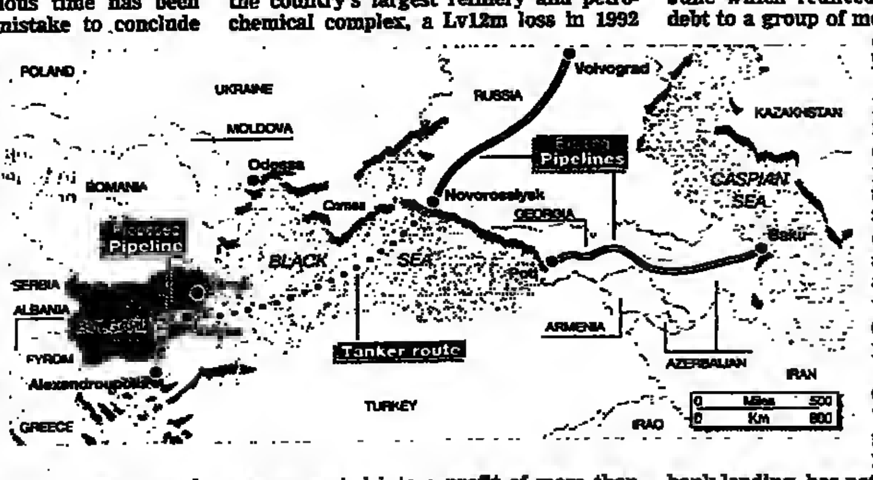
Ports are evidence of recovery

"If Bulgaria bad a serions government committed to rapid privatisation the economy would be in a much better state," is the standard reply to enquiries about the state of the Bulgarian economy.

It is true up to a point. A weak government backed by former communists has been slow in embarking npon a transparent process of privatising, downsizing or actually closing the biggest loss-makers among the several hundred large enterprises which formed the backbone of the former centralised economy.

But although precious time has been lost it would be a mistake to conclude that the Bnlgarian economy has become a bopeless case.

The high rate of clandestine asset disposals through "hidden privatisation", a 17 per cent unemployment rate, the steady rise in the number of self-employed workers and new private companies and a successful shift to new export markets in the west indicate that significant structural changes are taking place.



After four years of declining output and incomes, the economy has bottomed ont and gross domestic product is expected to show no growth in 1994 and a modest increase in ontput and incomes next year, aided by rising demand from both Germany and the former Soviet market.

The physical evidence for such a recovery can be seen on the bustling quays of Bulgaria's biggest Black Sea ports, Burgas and Varna. Forklift trucks load pallets of lead and zinc, bales of chemicals and rolls of coiled steel on to ships destined for middle eastern and western markets. Big investments are planned to increase container handling and refrigerated warehouse facilities and raise volumes of oil and gas.

Meanwhile, Bulgaria's large merchant shipping fleet of more than 2m dwt, which five years ago mainly served Bulgarian trade, is now 80 per cent bired out to foreign shippers, earning much needed hard currency for eventual fleet replacement. Varna and other Black Sea shipyards also report receiving more orders for new ships than they can handle withont beavy new investment and better management methods.

Refineries and petrochemical plants, such as Neftochim on the outskirts of Burgas which has been working at half capacity for much of the past three years, also report sharply higher export and domestic demand, and higher profits. At Neftochim, the country's largest refinery and petrochemical complex, a Lv12m loss in 1992 was converted into a profit of more than Lv1bn in the first eight months of this year on sales of Lv25bn, compared with sales of Lv12.4bn in the whole of 1992, although inflation distorts the figures.

On the negative side, cumulative inflation over the first aight months of the year reached 65 per cent, about the level for the whole of 1993 and double the projected level agreed with the International Monetary Fund. The combination of sharp Lev devaluation in March and August/September and the resulting push to inflation has cnt average wages in dollar terms to about $75 per month, forcing many workers to take second jobs in the private sector to escape poverty.

The private sector now accounts for between 25 and 30 per cent of economic activity, although 90 per cent of industry is still formally in state hands and privatisation remains slow. Significantly, rapid growth in the private sector, especially in tourism, retailing, financial and other services, is being matched hy a patchy but noticeable recovery in parts of the state sector, such as steel, metals processing, shipbuilding, shipping and chemicals which have been hard pressed to survive since the collapse of Comecon markets.

The prospects for growth have been greatly improved by the successful conclusion of negotiations with Paris Clnh official creditors and the far more important London Club agreement at the end of June which redneed Bulgaria's $8.16bn debt to a group of more than 300 western commercial banks hy about 47 per cent.

The IMF, World Bank and otber international financial institutions have pledged nearly $1bn to help finance the $716m up-front costs of the debt reduction and rescheduliog agreements which will cost Bulgaria an estimated $300m a year.

Thus far the London Club agreement, which re-opens Bulgaria's access to normal commercial bank lending, has not led to the sharp rise in foreign investment and foreign bank interest which followed the earlier conclusion of Poland's similar debt rednction accord.

But foreign equity investment has risen from just over $100m to more than $500m during the past two years and several small- to medium-sized investments are pending in the brewery, hotel and tourism, food processing and other sectors as the privatisation agency grinds through its paces.

Heavy infrastructure investment in telecommunications, roads, bridges, ports, pipelines and railway is also on the borizon as European and international lending agencies gear up to raise Bulgaria's profile as a key link in western Europe's expected fast-improving trade with the energy rich former Soviet states of central Asia and the middle east.

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Privatisation has had limited success so far, says **Anthony Robinson**

Plenty of hurdles remain

Bulgaria's mass privatisation programme (MPP), based on the Czech model using vouchers and private investment funds, suffered a severe blow before it even got off the ground when the rival privatisation agency took more than 35 most promising state companies in the MPP list for direct sale to foreign and domestic investors.

Legislation to set up the MPP was approved just before the government resigned, but Dimiter Stefanov, the executive director of the Centre for Mass Privatisation, admits that much technical work remains to be done before vouchers with a nominal value of 25,000 "investment Leva" can be distributed to those willing to pay Lv500 for privatisation coupons. Even then a big effort will be required to arouse popular enthusiasm for the scheme.

In the meantime Reneta Indjova, the tough-minded executive director of the privatisation agency, is forging ahead with privatisation by direct sale to investors, a method which has already privatised 30 medium- to large-sized state-owned enterprises, of which the biggest and most recent is the $55m purchase by the German transport entrepreneur Willi Betz of a controlling 55 per cent stake in Somat, Europe's biggest trucking company.

The Somat deal, like most other deals to date, promises substantial future investment and job guarantees. But thus far the benefit to the Bulgarian treasury from privatisation has been limited. "Net revenues from privatisation to date are probably no more than $20m. But some $1.5bn in enterprise debt has been written off as a result of privatisation while the prospects for penetrating new markets and attracting further greenfield investment have improved," says Ms Indjova.

Meanwhile the agency is hoping that the recent foreign debt reduction agreemants, with their provision for debt/equity swaps, will stimulate the interest of foreign investors in state-owned assets with potential for growth once old debts are cleared and new management methods and equipment are installed.

Ms Indjova is anxious to speed up the process as much as possible, largely because the negative effect of delay is only too obvious. Given the slowness of formal privatisation, Bulgarian state and municipal enterprises have been subjected to a wave of "hidden privatisation" which has alienated a large but unquantifyable amount of the choicest state or municipally-owned assets.

"Hidden privatisation" has alienated a large but unquantifable amount of the choicest state or municipally-owned assets

"It is impossible to calculate the loss accurately, but hidden privatisation reduces the net worth of enterprises and is reflected in rising inter-enterprise debt, the high level of deht to commercial banks and ultimately adds to the budget deficit, driving inflation and crowding out the private sector," she says.

Such "hidden privatisation" usually involves the formation of private companies to supply state enterprises with inputs at high prices and other companies take their subsidised output for resale at market prices. In this way enterprises accumulate inter-company debts and losses while allowing a new class of millionaire "biznismen" to cream off economic rents.

The process of nationalising losses and privatising profits is widespread throughont the former Soviet bloc but has been most blatant in countries such as Bulgaria or Romania where the continuing influence of former communists, coupled with the weakness of the law and the inexperience of civil society has been most pronounced.

In Bulgaria's case what is popularly perceived as the "mafia-isation" of the economy has been further stimulated by the baleful side-effects of the UN embargo on trade with Serbia and the Greek embargo on trade with the former Yugoslav republic of Macedonia.

Small but powerful groups of Serbs, Macedonians and Bulgarians have made quick fortunes by smuggling oil, weapons and a wide range of other commodities across the borders by a variety of ingenious methods which mostly include the bribing of police, customs and other officials at some stage.

Indjova: anxious to speed up the process as much as possible

"The war in former Yugoslavia has been a disaster for Bulgaria. I seriously doubt whether a country like the Czech republic would be so law-abiding if it had borders like ours," says Alexander Bozhkov, the former head of Bulgaria's privatisation agency who now runs a private consultancy firm specialising in assisting foreign investors.

Perhaps the most pernicious result of the widespread suspicion in which the new business class is held is the confirmation of many of the old communist propaganda images of rapacious capitalists grinding the faces of the poor and the "zero sum" notion that wealth is a stock rather than a flow so that one man's wealth is always at the expanse of another.

Rising awareness of the dangers to future economic and social development of such widespread antipathy has spurred the more intelligent and genuinely entrepreneurial, rather than parasitic, members of the "new class" to try and change both the image and the reality of private business ethics and methods.

This became clear last month when a split developed within the ranks of the G-13, a group of 13 leading private businass groups, which has now been reduced to a rump G-9.

Lyubomir Gibinsky, the prime mover behind Prime Investment Trust, a holding which controls 40 companies and is a major shareholder in TSBank one of the largest and fastest growing private banks, led the breakaway.

"TSBank was a foundar members of G-13 whose idea was to consolidate and strengthen national capital so that we could have a dialogue and proper partnership with foreign partners. But in practica some of the members interpreted this as a way of dividing up the market and to express their dislike of foreign investors," says Mr Gibinsky.

They also had a tendency to use "non-market methods" he added, a euphemism to explain the rash of car bombs, shootouts and beatings which have punctuated Sofia street life in recent months. "We decided to leave G-13 as our principles are free enterprise and fair competition, a North American not Latin American style of business," he said.

Agriculture

Reason for optimism

Returning agriculture into private hands has so far been more of a disruption than a stimulus to production, and has not yet led to the expected revival of a sector which has declined in relative importance but still accounts for about one fifth of gross domestic product and 20 per cent of employment.

The dismantling of state co-operatives by government-appointed liquidation committees since 1991 initially brought chaos to much of the countryside. Farm output in 1992 fell by almost 15 per cent but now there has been a reaction to early excesses.

"Co-operativa is not a dirty word, no matter how our politicians speculate with it," says Georgy Tanev, the outgoing minister of agriculture who has been in charge of this sector for the past two years. "Bulgarians have been used to working in co-operatives for decades. We cannot do without them, at least for another five years," he adds.

He claims it is not just peasants who support new-style co-operatives but many UDF supporters also realise that they cannot survive without some form of rural co-operation.

"The liquidation committees [set up to dismantle the co-operatives] almost managed to liquidate our agriculture, especially stock-breeding," Mr Tanev says. Some of the committees lacked experience in agriculture and sold off the co-oparatives' fodder before returning animals to individual farmers. Animals were also returned before land was redistributed and peasants had the means to feed and breed them. As a result hundreds of thousands of pigs, sheep and cattle have been slaughtered over the past two years.

The Souhindol co-operative, set up in 1909, demonstrates how such a venture can thrive in market conditions

The 1991 land law aimed at the restitution of land to those who owned it before 1946 when the communist regime forced collectivisation on farmers. But about 60 per cent of the new land owners now live in cities and towns and many are unable or unwilling to return to farming. Some work their newly returned plots of land only at weekends, using spades and wooden ploughs. Lack of money and the small size of holdings usually prevent them from using machines.

According to Mr Tanev, tha average size of tha newly returned plots is just 1.6 hectares, too small for modern technology. "The new land owners have three options: to sell the land, lease it or form a co-operative with other owners," he says. But no real land market exists yet and leasing the land has not become a widespread practice due to the lack of proper legislation.

"What remains is to form new co-operatives," says Mr Tanev. He points out that co-operative farms in Bulgaria were not a communist invention. Some have a century-long history.

The Souhindol co-operative in central Bulgaria, set up in 1909, is a good example of how such a venture can thrive under market conditions.

Through restitution, its property has been returned to the former workers but the re-formed co-operative has developed new meat processing works, bakeries, vineyards, and bought new animals. Representatives of the Bulgarian-American Enterprise Fund recently visited Souhindol and were surprised by its efficient operation.

Such success stories indicate that the sector can recover. Another reason for optimism is the fact that the decline in stock-breeding has gradually led to higher meat purchase prices, giving fodder producers and animal breeders more incentives.

Powerful private groups, such as Prime Investment Trust, have started positioning themselves in the sector and executive director Ivo Ivanov says the group is preparing a programme for investment in fodder production, flour mills, sugar plants and meat processing.

Agriculture ministry experts believe that the 1994 decline in output will be smaller than in the previous three years but UDF spokesmen, along with some western experts, believe that substantial recovery of agriculture will only be possible when people receive full legal title to their land. Only then will smaller plots be sold and consolidated into more viable farms. The free market, and not government attempts to reform the old co-operatives, should be the driving force, they add. It may take another year before land restitution is completed.

Early last year, government officials said the land reform plan would be completed by the end of 1993, but this month agriculture ministry sources revealed that only half the farmland had been returned with the full title by the end of September and only 60 per cent will be returned by the end of this year.

Meanwhile privatisation of state owned agricultural enterprises is now moving ahead slowly. The ministry of agriculture has opened privatisation procedures for 90 units, but deals have been completed for only 30 so far, including pig farms, poultry farms, mills, machine repair works, and fisheries.

Theodor Troev

Potential spotted by foreigners

Foreign companies have been quick to see the potential in modernising Bulgaria's once flourishing food and agro-processing industries. The privatisation programme began with the $20m trade sale of a maize products plant in Razgrad, north eastern Bulgaria to Amylum, owned by CIP of Belgium, Archer Daniels Midland Co. of the US, and Tate & Lyle of the UK.

They were quickly followed by other multinational food-processing groups including Kraft Jacobs Suchard and Nestlé, which acquired leading chocolate producers in Sofia, and Delta, a Greek food manufacturer, which invested in an ice cream factory in Varna on tha Black Sea.

Danone of France set up Danone-Serdika in Sofia for the manufacture of dairy products while the Dutch company Frisoso is reported to be interested in Bulgaria's largest diet and baby foods producer, Slancho. Danish investors are investing in meat-processing and several Austrian companies plan investment in turkey farms and asparagus growing.

Apart from private investment, western governmental aid and credits from the international institutions are also becoming available for the agricultural sector. The World Bank's first agricultural credit – a $50m loan to improve private sector access to medium and long-term credit – was negotiated by the ministry of agriculture earlier this year. It has not yet been ratified by parliament, however, because of political infights over the bank's requirement to phase out agricultural subsidies.

"Agriculture is ona of the sectors with the most potential," says Andrew Kenningham, an economist who has spent several years as director of Bulgarian International Business Association, representing foreign investors.

Theodor Troev

Anthony Robinson looks at the political crisis

Early vote called for

In October 1992 – when the anti-communist Union of Democratic Forces (UDF) government headed by Philip Dimitrov lost power and the country passed to the hands of a "government of technocrats" headed by Lyuben Berov – believers in a smooth transition to democracy were dealt a sharp blow. Since then tha Bulgarian politics has been essentially on hold.

Mr Berov's government was supported by the parliamentary votes of the Bulgarian Socialist Party (BSP), the renamed home of the former communists, as well as the Movement for Rights and Freedoms (MRF) which is supported by Bulgaria's ethnic Turkish minority and, sporadically, by the splinter groups which have hived off from the two rival mainstream groups, the BSP and the UDF over the past two years of political drift and disillusionment.

Mr Berov held on to power long enough to oversee the successful conclusion of debt reduction negotiations with the Paris and London clubs of creditors. But the 69-year-old former professor, who recovered well from a heart attack in March, felt increasingly isolated from an electorate frustrated by lack of progress in building the institutions of a market economy and threatened by rising criminality. He survived six no-confidence votes tabled by the UDF over the past 12 months and resigned at the start of September.

Zhelyu Zhelev, the president, immediately began negotiations with the two main political groupings, but they declined his offer to try and form a new government.

One to watch: George Pirinsky, of the BSP's social democratic wing

Both parties have been calling for early alections, although a large number of individual deputies, doubting their chances of re-election and anxious to secure their pension and other privileges, privately express reluctance to go to the polls before the current parliamentary terms ends in October 1995. Some BSP leaders ara also reluctant to assume power and responsibility whila many acute social, economic and political problams remain unsolved.

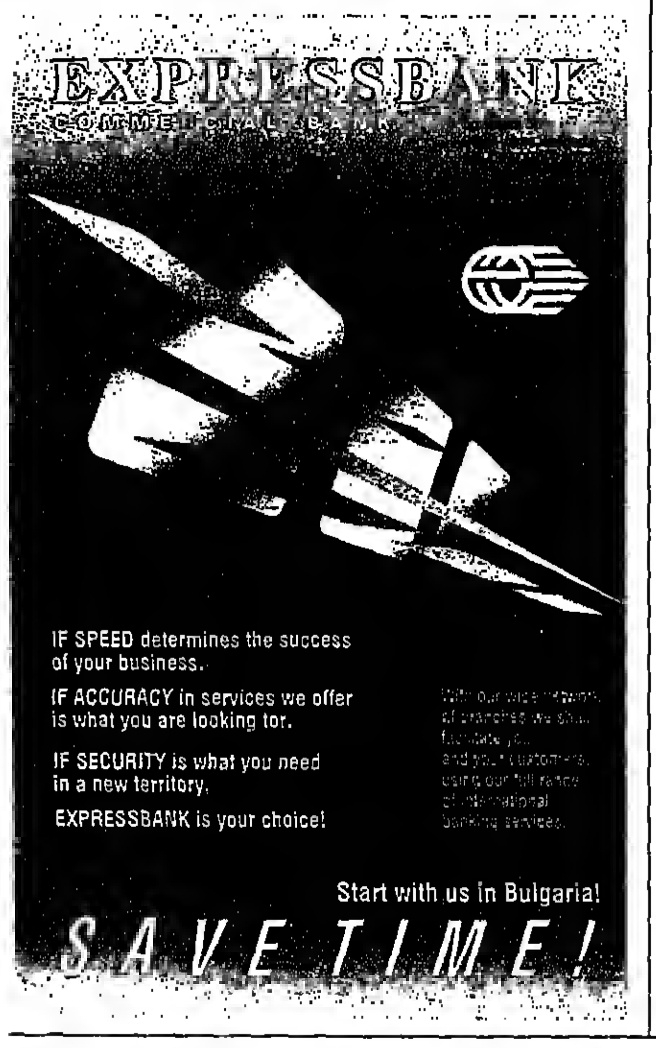
But the BSP's insistence that early elections are preferable to another interim government chosen by the president has more conviction than that of the UDF because opinion polls indicate that an early vote would bring the BSP back to power, albeit without the overall majority needed to govern alone. This prospect is deeply distasteful to President Zhelev who began his political career as one of the leaders of the UDF but disagreed with the policies and tactics pursued by Mr Dimitrov and ended as a critic of both leading parties.

In return the president, who now comes in second place behind the exiled King Simeon in public opinion polls, is criticised for his "byzantine" behind-the-scenes manoeuverings which in recent weeks included meetings with top military leaders to ensure their loyalty and impartiality in the tense months which lie ahead.

The partial disintegration of tha UDF, an umbrella organisation which originated as a loose anti-communist coalition of nearly 20 groups and emerged as the largest political force in the 1991 elections, left the BSP as tha largest single party in the present parliament. The BSP has also suffered defections but still holds 99 of the 240 seats in the Narodno Sobranie, the People's Assembly, against only 78 for the UDF.

A further 19 seats are held by tha ethnic Turk MRF with the remainder split between two smaller groups, New Choice, a handful of liberal conservatives headed by Dimiter Ludzhav and the Democratic Alternative for the Republic (DAR) a small centre-left party, plus about 20 independent, non-party MPs.

The refusal of the two major parties to form a government in succession to Mr Barov obliged President Zhelev to make one final effort to comply with his constitutional duty by calling on Mr Ludzhev, the leader of "New Choice" to try his luck. The New Choice leader has been a close friend and ally of the president for the past 15 years. At the time of writing the outcome of his effort to form a government was not known, but the most likely conclusion to the crisis appeared to be new elections before Christmas, or possibly early in the new year.



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Theodor Troev finds that prospects for the tourist industry are picking up

Western visitors lead the way

The Russians are back, enjoying their holidays in some of the best resorts along Bulgaria's sandy Black Sea coast – not shepherded in large groups as they were under the communist regime, but strolling around with the self-confidence of big spenders.

"Now everybody wants to attract Russians," says Dotko Dotkov, general director of Grand Hotel Varna, Bulgaria's only five-star hotel on the Black Sea, and the first to be privatised earlier this year.

Ironically, it is often German tour companies that are bringing the Russians back. Big operators, such as TUI, have become aware of the reviving market in what was for decades the Riviera of the former Eastern bloc and their branch offices in Russia – better organised than local competitors – have been more successful than most in selling Bulgarian holidays.

But the recent increase in arrivals from the east has not yet reversed a trend which began after the collapse of communism. Until then, Bulgaria had been forced into the lower end of the mass tourism market with cheap package holidays in block-like hotels. More than 60 per cent of tourists then came from Eastern bloc countries.

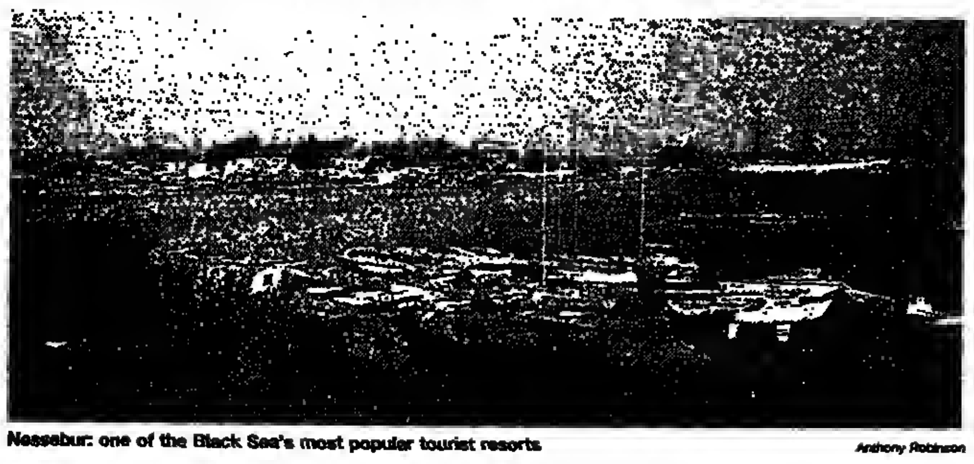
Since 1990, the number of Russian and east European visitors has dropped to less than 15 per cent of the total while western markets have picked up. The number of travellers from western Europe grew by 28 per cent last year when the overall number of visitors rose to 2.4m from 872,000 in 1992.

Most of these come from Germany (with a market share of more than 40 per cent) and Britain (with a market share of more than 25 per cent) followed by Norway, Greece, the Netherlands, Sweden and Denmark.

No official figures are available for this year but there is strong visual evidence of a sharp rise after a slow start.

The main state-owned tour operators, Balkantourist whose name until 1990 was synonymous with the country's travel industry, and Balkan Holidays, with subsidiaries in 17 countries, have reported increased demand throughout the season. Seaside and mountain resorts, which have started negotiating directly with foreign partners, as well as most private operators, also report a steady flow of business.

Tourism managers have started to pay more attention to the long-term image of the country and managed to prevent double-booking this summer. Last year, Bulgaria received bad publicity when some customers of Balkan Holidays, the main agency for the UK, arrived on the Black Sea to find their rooms occupied by higher-paying German visitors.



Nessebur: one of the Black Sea's most popular tourist resorts

Anthony Robinson

Untapped opportunities exist in spa treatment, motor touring and green tourism, as well as in conference travel

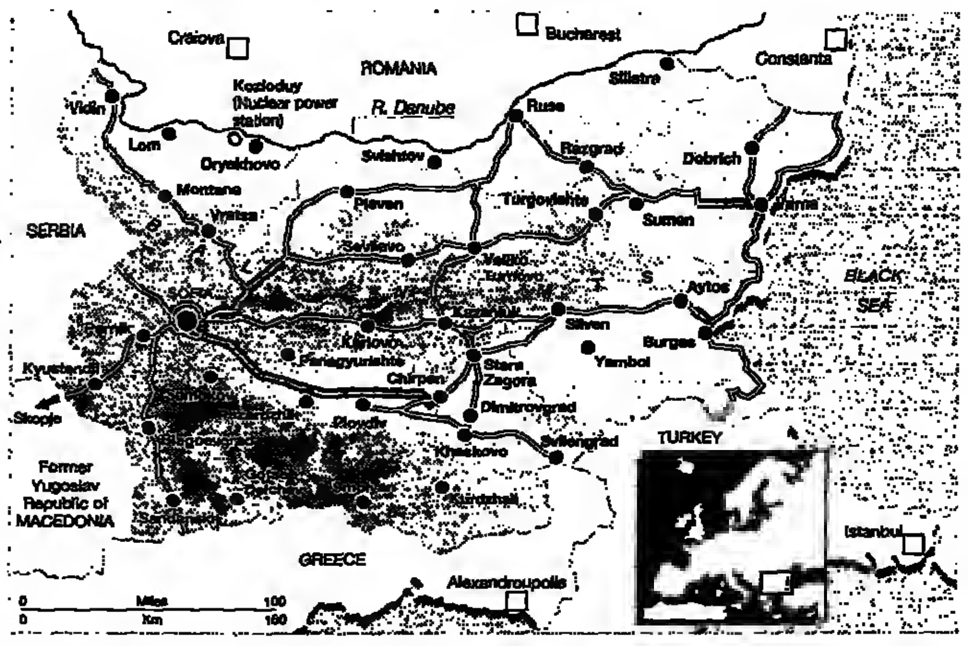
Problems of this sort are not uncommon at a time when Bulgaria's travel industry is trying to make the bold step from state ownership to free market and private initiative. The first steps led to chaos, largely due to the lack of a clear tourism policy and the power struggle between institutions such as the Committee of Tourism, the Privatisation Agency, and the still powerful managers of state-owned resorts and hotels.

Western consultants who have looked into Bulgaria's leisure industry identify drawbacks such as poor quality of service and infrastructure, some unsafe hotels and inhospitable airports. Only 6 per cent of the country's high class hotels were estimated to meet European standards. Substantial investment will be needed to upgrade them and attract a more up-market clientele.

But officials are optimistic about the long-term potential of the industry. The country is only just starting to promote its wealth of Thracian, Roman and Byzantine remains, monasteries and mountains.

Apart from cheap summer seaside or winter skiing packages, Bulgarian tour operators can also offer special interest tours, focusing on traditional architecture, history, religion, arts, hunting and rural tourism.

Picturesque little towns on the Black Sea such as Nessebur and Sozopol, built over ancient Thracian and Greek ports, now offer holidays in residents' houses matching Greek islands-style vacations. Untapped opportunities also exist in spa treatment, motor touring and green tourism, as well as in conference travel.



Slow progress on sell-offs

The sale of Bulgaria's most prestigious Black Sea hotel, the five-star Grand Hotel Varna, has been the biggest privatisation investment by a Bulgarian company to date. A 49 per cent stake was sold earlier this year to Multigroup, one of Bulgaria's most powerful private holding companies and Balkanbank, one of the country's five biggest mainly state-owned banks for Lev509m (about $10m at the time).

Under the scheme adopted by the privatisation agency, employees were offered 20 per cent of shares at a preferential price and the remaining 31 per cent were floated.

"Since privatisation we are targeting a higher spending segment of the market," says Dotko Dotkov, the newly appointed general director. "As a private company, we can develop a proper investment programme to upgrade several floors with special 'business class' rooms, and provide higher quality service and better promotion through western tour operators."

In spite of resistance from different groups, the privatisation agency has announced the coming sale of other hotels including the Vitosha Grand Hotel Sofia, and Rodina, as well as several hotels in winter and spa resorts and some of the country's biggest Black Sea resorts, such as Sunny Beach and Albena, which are offered for sale en bloc.

Foreign groups such as Daewoo of South Korea, Delta France, Holiday Inn, Ramada, Radisson and Styles Hotels, as well as powerful Bulgarian financial and industrial groups such as TSBank, Tron and Multigroup have shown interest while ITT Sheraton has applied to buy the Sheraton Sofia Hotel Balkan which it has managed for the past few years.

Years of recession and power struggles between the privatisation agency and local tourism officials mean sell-offs are not going smoothly. Managers of state-owned hotels and resorts fear they may lose their jobs and claim privatisation will benefit foreign investors by selling the most profitable hotels at give-away prices. But western consultants emphasise the need for speedy privatisation. At present the 3,000 private sector tourism-related companies account for only 10 per cent of total turnover.

Meanwhile Balkan Bulgarian Airlines, the national carrier, which transports most Bulgarian visitors with its fleet of 58 aircraft is also up for sale. The state will retain 40 per cent and at least 51 per cent shares of the airline will be left in Bulgarian hands. The privatisation agency recently rejected an offer by Avicon, an Austrian-Swiss company, to provide know-how but no cash for a 49 per cent stake.

Theodor Troev

Theodor Troev looks at progress in the telecommunications sector

Business users come first

Bulgaria's responsibility for developing an electronics industry under the former Comecon division of labour helps explain why the country ranks first in telephone density among the former socialist countries, with 34 lines per 100 population. But expansion from only 14 lines per 100 in 1980 was achieved through obsolete analogue equipment whose design dated back almost half a century.

Bulgaria has now started modernising its national and international telecommunications infrastructure with plans for a digital overlay network (Don). These plans include 1,700km of optic fibre lines, microwave links, a new international gateway, 11 long-distance exchanges, local exchanges and the earth satellite station system Intelsat.

Almost 50 bidders tendered for the first six projects within the Don programme. Siemens of Germany was awarded contracts for a new international digital exchange as well as trunk and local digital exchanges in northern Bulgaria. Northern Telecom of Canada won a tender for an optical fibre line in western Bulgaria and Satellite Transmissions Systems (STS) of the US was awarded the contract for the construction of an Intelsat ground station.

Sweden's Ericsson Telefon was commissioned for the construction of trunk and local digital exchanges in southern Bulgaria while a contract for the installation of an optical fibre trunk line in the eastern part of the country was awarded to Alcatel Cable of France. A tender is expected shortly for the last project – the building of a digital microwave trunk network.

According to Antony Slavinski – the Bulgarian Telecommunications Company (BTC) vice-president of network planning and implementation who is in charge of the Don programme – much of the equipment from western suppliers has already arrived. By the end of this year work on some of the projects will be almost completed. When all elements of the network are completed, by 1996, it will service 150,000 subscribers, mainly business users in larger cities.

Providing high-quality business services is a priority. Profits from business subscribers will help generate more funds for the subsequent modernisation of the residential network, which is expected to achieve European standards by the year 2008.

About half of the $300m needed for the Don project has to be raised by BTC. The remainder is being provided by the European Investment Bank – Ecu70m ($86.80m) – the World Bank – $30m – and the European Bank for Reconstruction and Development – Ecu32m ($39.68m). The loans have to be repaid in 15 to 20 years with grace periods of five to six years.

Modernisation will involve higher prices and the telecommunications authorities have proposed regular increases in telephone charges. Since May 1993, charges have also been affected by the rapid Lev depreciation and have risen by 150 per cent.

BTC says it is vital that tariffs reflect costs as BTC owes foreign telecommunications administrations $25m, but few Bulgarian customers realise that high-quality telecommunications is expensive and European standards can only be attained by heavy investment financed by higher prices.

Legislative delays remain a drag on progress. A draft law has been ready for two years but "by the time it is adopted by parliament, it will be outdated and will have to be amended", says Mr Slavinski.

"In order to carry on restructuring the sector, we use the golden rule that whatever is not forbidden by the law is allowed," he adds.

Meanwhile telecommunications sub-sectors such as mobile, radio wave and cable links are being deregulated as national and regional licences are awarded to domestic companies or consortia including both Bulgarian and foreign companies. Each sub-sector is expected to have two operators in future – one private, and one controlled by the state.

Investment is forthcoming

Although Bulgaria has not revealed plans for privatisation of the telecommunications sector, foreign investment has been forthcoming both in services and manufacturing.

Betkom, the first western telecommunications joint venture in the country, was set up between the UK's GPT, a supplier of intelligent pay phones, and Bulgaria's committee of Posts and Telecommunications. GPT, a partnership between two of the world's leaders in telecoms – GEC of the UK and Siemens AG of Germany – holds a 41.1 per cent stake in Betkom.

According to John Murgatroid, Betkom manager, the growth of the joint venture since the initial equity investment worth $437,000 has been on a self-financing basis - profits are reinvested in expanding the network. The number of card phones installed is expected to reach 1,000 by the end of the year, compared to just 100 in 1991, Batkom's first year of operation.

Another significant development is Bulgaria's first cellular network which was launched earlier this year by a Bulgarian-British joint venture between Cable & Wireless (49 per cent), BTC (39 per cent) and state-owned company Radio Electronic Systems (12 per cent). Known under its trade name, Mobilfon, the network provides direct mobile connections for Bulgaria's largest cities with more than 70 countries and has attracted more than 4,500 subscribers.

Mobiltel, a recently established consortium including Siemens, US West and the Bulgarian financial group Tron is emerging as the main competitor to Mobilfon.

The consortium has been licensed to build a GSM digital cellular wireless network and plans to cover 80 per cent of the country by 1998. Some of the components for the establishment of the Mobiltel network are expected to be produced by Digicom, a joint venture between Siemens and Incoms Holding of Bulgaria for the production, installation, and maintenance of switching and transmission systems.

Theodor Troev

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TECHNOLOGY

Better than a boring bike

Exercise machines are hard work and time-consuming. They are also boring, which is why health clubs are turning to virtual reality. A US manufacturer has designed an exercise bike that allows the rider to interact with a virtual reality world displayed on the screen, using a colour monitor at eye level and thumb-controls in the handlebars.

The interactive, three-dimensional graphics give the exerciser the impression of steering along bike paths, going up hills and entering buildings. The illusion is limited, partly because the screen picture is a cartoon-like representation and partly because it uses a monitor, which covers 60 per cent of the users' field of vision.

Head-mounted displays allow greater vision, but if used for more than 20 minutes they can make people feel dizzy. Moreover, the designers considered that putting on a head-mounted display that had recently been used by someone else taking vigorous exercise was unappealing.

The machine creates some illusions by, for instance, allowing the rider to lean left or right into turns and by changing the feel of the pedals, depending on the terrain. It also blows a stream of air across the face, which becomes stronger as the rider pedals faster.

The thumb-operated controls allow the rider to shift gears, brake, count miles and view progress on a map. The VRBike can be linked to several machines, so riders can exercise in groups or in competition.

CyberGear of Cambridge, Massachusetts, designed the software, which is stored on a compact disc. The suppliers intend to develop discs with other landscapes.

The bike, which was launched at a price of $8,000 (£5,330) in the US in June, will be available in the UK at the start of next year. The manufacturers are Tectrix Fitness Equipment of Irvine in California.

Vanessa Houlder

Working on unity

Louise Kehoe on attempts by IBM, Apple and Motorola to create a new standard for PCs

John Sculley, former Apple chairman and chief executive, called it "the foundation for a renaissance of technical innovation that will impact the entire computer industry into the 21st century".

"Together we announce the second decade of personal computing," added Jack Kuehler, then president of IBM.

It was October, 1991. The executives from International Business Machines, Apple Computer as well as Motorola's semiconductor group stood together on a San Francisco stage to announce a technology alliance many believed would create a formidable challenge to Intel and Microsoft, the PC industry duopoly.

IBM and Apple said that they would collaborate on a broad range of efforts to create a new "unified standard" for the next generation of personal computers. Motorola would be the chip supplier to Apple and to any others which might adopt the new standard.

Three years on, however, the vast majority of PCs are still based on the Intel-Microsoft combination of chips and software that IBM, Apple and Motorola aimed to overthrow. While the second decade of personal computing is well underway, IBM and Apple are still battling to defend their positions. The two companies that dominated the PC market in the 1980s now have a combined market share of only about 20 per cent.

Although the alliance is deemed a success by its three members, IBM, Apple and Motorola have so far failed to create the "unified PC technology standard" that was to be the centerpiece of their collaboration, the platform upon which they would mount their attack on established PC industry standards.

The technology partners got off to a strong start by delivering a family of microprocessor chips called PowerPC, based on IBM's Reduced Instruction Set Computing (RISC) technology and manufactured by IBM and Motorola. The chips are smaller, faster and cost less to produce than Intel's latest Pentium microprocessors.

Apple Computer steamed ahead of its alliance partners, launching a new range of "Power Macintosh" computers based on the first PowerPC chips in March. The new computers have helped Apple to recover from shrinking sales and profits.

For Motorola, the alliance has provided the core microprocessor technology for a new generation of chips and salvaged its relationship with Apple – its only microprocessor customer in the PC industry.

Other computer manufacturers including Toshiba and Canon of Japan and Groupe Bull of France have announced plans to use PowerPC chips in future computer products. Motorola is also renewing efforts in the computer market with a range of "PowerStack" computers based on the PowerPC chip, which the electronics company aims to sell through third parties.

For IBM, however, the returns on sharing its chip technology with Motorola and Apple have yet to be realised. The introduction of its range of "Power Personal" computers was recently delayed, for the second time, until next year.

"PowerPC technology has capabilities that don't exist in the current [Intel] technology in terms of speed," said Rick Thoman, IBM senior vice president and the new head of IBM's PC business, shortly before postponing the introduction of the Power Personal PCs. "But there are obvious negatives . . . because it does not have an established base of application software."

IBM's delay reflects a fundamental weakness in the alliance strategy. Apple's "Power Macintosh" computers are not compatible with PowerPC computers designed by IBM and Motorola.

Despite sharing common microprocessor technology, the companies' computers cannot run the same software.

Without software, a microprocessor is like a new car engine without wheels. It may be an impressive feat of engineering, but it is of little practical use.

"It all comes down to software, software, software," says David Wu, a PC industry analyst at SG Warburg.

To attract third-party software developers who can create applications programs for PowerPC computers, the alliance partners must first establish hardware standards that promise large volumes of compatible computers.

"It used to be that if you built a better mousetrap – a faster microprocessor – then the applications would flood in. That is no longer true. They [software developers] are looking for volume," says Tom West, senior vice-president of advanced development at Data General.

The IBM, Apple, Motorola alliance was flawed from the start, he suggests. "There is so much ego, corporate identity, and mythology tied up with their [microprocessor] chip agendas . . . Guys, you got it wrong."

Analysts believe that only by aligning computer designs more closely can IBM and Apple achieve the critical mass needed to attract a substantial portion of the software development investment that is made in the PC industry.

IBM and Apple have been jousting for several months on this issue, with Apple apparently resistant to changing the design of its Power Macintosh computers and IBM equally determined to make its PowerPC designs the industry standard. (Motorola's recently introduced PowerPC computers comply with IBM's design.)

A breakthrough may be close. The companies have intensified their efforts to reach an agreement and Apple said this week that it is "optimistic" about the outcome of ongoing talks. This has fuelled speculation that IBM might cement its new pact with Apple with an equity investment.

A common hardware design is critical if IBM, Apple and Motorola are to fulfil the promise of their 1991 alliance, enabling "Power" computers to run a wide range of applications programs – including those designed for Apple's Macintosh or IBM's new OS/2 Warp PC operating system.

It could, however, take as long as two years for IBM, Apple and Motorola to alter their computer designs and complete operating system software development.

By then, Intel and Microsoft will surely throw new competitive challenges in the path of the alliance partners.

New era for MS treatment

Daniel Green looks at two drugs which may slow down the disease

Multiple sclerosis patients and a handful of small drug companies developing treatments for the disease may be about to enter a new era.

Sufferers of MS – the second most common neurological disease among young adults – have this week been able to take heart from the results of clinical trials on two new drugs revealed at the American Neurological Association meeting in San Francisco.

Those results were good enough to make it likely that by 1996 there will be several MS drugs on the market, compared with just one today. None is a cure for the condition, but all appear to slow sharply the disease's progress.

For the suppliers, the results herald a period of tough competition. The market will be worth $1.4bn (£930m) annually by 1998, says stockbroker Lehman Brothers. The battle for that revenue will centre on the clinical trial results and the mesh of patents in the area.

There are four main suppliers: Germany's Schering which sells Betaseron, Israel's Teva with Copaxone, and Switzerland's Ares Serono/Biogen of the US, both with beta interferon.

For the past year only Betaseron has been approved for the treatment of MS. It works by interfering with the immune system, thought to be at fault in MS.

Betaseron is made by genetically engineered bacteria and is not quite identical to beta interferon produced naturally in the human body.

Biogen and Ares Serono, on the other hand, use genetically engineered mammal cells to make beta interferon that is chemically identical to the human version. In principle, this should mean the drug works better in the human body with, perhaps, fewer side effects.

The data published this week were the first large-scale trials, beta interferon and Copaxone.

The results of the Biogen trial, on 301 MS sufferers, were probably not as clear as the company would have liked. Direct comparisons with the results of earlier Betaseron trials are difficult because the drugs are not compared directly, only against placebos.

Side effects – flu-like symptoms – seem to be fewer with beta interferon. But this could have been because patients in the Biogen trials were also given paracetamol (Tylenol) to depress their fevers. Furthermore the effectiveness of Biogen's drug was gauged by how fast patients' condition deteriorated – it slowed the progress of the disease by almost half.

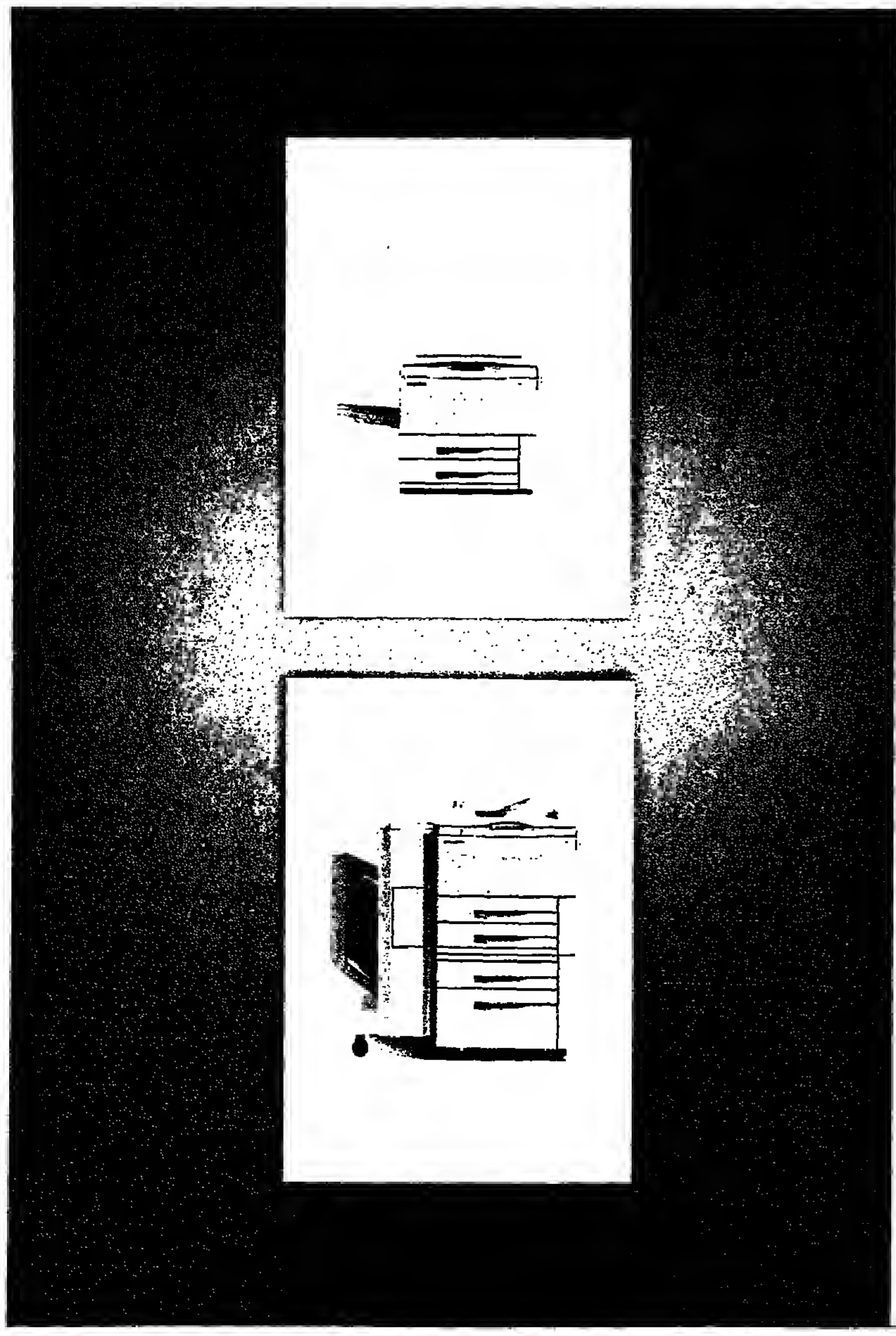
But Betaseron was tested by measuring the frequency of MS attacks. Here, however, there was little to choose between the two drugs.

The US Food and Drug Administration and regulatory bodies elsewhere are likely to examine closely such data. Biogen, whose shares fell after the trials results were published, faces some tough questioning if it claims superiority over Betaseron.

The patents covering beta interferon also seem set to be fought over. There is a cascade of licensing agreement starting at research institutions in Japan and California and involving Ares Serono sub-licencing one patent to Biogen while Schering tries to use beta interferon (not Betaseron) in another disease area, hepatitis.

Standing aloof from this is Teva, the Israeli company, whose Copaxone appears to work in a different and ill-understood way. But it too achieved only modestly encouraging results, cutting the number of MS attacks but by less than that achieved by Betaseron. It may be safer than Betaseron or beta interferon and could have a market for patients who have reacted badly to the other two.

The message that emerged from San Francisco was that the principle of interferons helping MS sufferers is good and life for those who take the drugs may get a little easier. However, the drug companies face a bruising battle with each other to win sales.



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Cinema/Nigel Andrews

Tottering totalitarianism

I once saw a stage performance of *Man And Superman* in which the cast was taking its final bow when a large piece of background scenery began falling on them. "Look out!" yelled the audience. Just in time, the players turned round and caught hold of the offending flat.

A similar thing is now happening in Chinese cinema. Historical backdrops are getting larger and heavier – in films like *Farewell My Concubine*, *The Blue Kite* and now Zhang Yimou's *To Live* – and instead of enriching the characters from a distance they tend to fall right on top of them.

To Live takes place over 30-odd years of Maoist history – 1940s to 1970s – during which a poverty-racked couple (Gong Li, Ge You) lose their children, their livelihood and most of their emotional bearings in the onslaught of Great Leaps Forward and Cultural Revolutions.

Having gambled away his house in the opening scene, our hero breaks with his wife, takes up puppetry, gets swept up in the war between Communists and Nationalists, then returns home to his spouse and deaf-mute daughter. Thereafter they surge more intimately across history's stage, while the movie's lessons in the evils of totalitarianism totter or topple over them like errant scenery.

The finest passages, in a movie never less than epic in its ambition, are when they hold the backdrops off: when Zhang allows the particular to grapple effectively with the panoramic. It can be the shot of a sudden bayonet piercing the white placidity of the puppeteer's screen, announcing the break-out of war in 1949. Or it can be the mordantly powerful scene of the daughter's sojourn in a maternity hospital.

Here the doctors have all been dismissed or jailed as "reactionary", so the trainee nurses must cope with the girl's haemorrhaging and hysteria. Finally a starving medico is dragged in – his condemned man's placard still round his neck – and stuffed with buns while the camera swivels tragically, comically between one mortal crisis and the other.

This is the Zhang of *Red Sorghum* and *Raise The Red Lantern*: a director of dark wit and merciless compassion, who knows that the absurd and the terrifying meet on the dark side of life's curvature. But *To Live* would have been a stronger movie if it had allowed quirky human reaction to compete more often with historical agenda. In the end we feel as much stunned as the characters by the long march of Chinese politics: though to underline that march's grim continuity Zhang himself, on the strength of *To Live*, is currently banned from making another film in China.

TO LIVE (12)
Zhang Yimou

GERONIMO (12)
Walter Hill

THE ADVENTURES OF PRISCILLA, QUEEN OF THE DESERT (15)
Stephan Elliott

WAR OF THE BUTTONS (PG)
Jon Roberts

SPARROW (12)
Franco Zeffirelli

★

Geronimo's time span is more modest: the last months of the Apache leader who for five years, with a few hundred braves, resisted capture by a few thousand US soldiers.

But Walter Hill is another film-maker fighting off the backcloth of history. Overwhelmed by the burning rockscapes of Utah and the din of destiny, Jason Patric as cavalry officer Charles Gatewood, who secured Geronimo's surrender, makes a thin, inhibited hero. And Wes Studi's Indian, though chiselled of feature and sonorous of voice, often seems part of the landscape rather than the human world.

The film has decided that it is filming Mythic Events, so it adopts a cathedral tone. The script by John Milius and Larry Gross is literate, even Biblical. But we keep wishing the solemn Walter Hill (of *The Long Riders*) had been pushed aside more often by the kinetic Walter Hill (of *Driver* and *Streets Of Fire*), so the film could build on the hints of tantalising magic that break into the historical liturgy: the black-and-white flurries of dream-flashback that haunt Geronimo, or the hypnotic, fractured twangings of Ry Cooder's music.

In the cast Gene Hackman (cavalry general) and Robert Duvall (veteran scout) steal the acting honours. Duvall especially shows that grandeur grows from the particular: that history can be more eloquent when reflected in the tiny tic of an eye or the hitch of a tired man's lip than as an unwieldy cyclorama dwarfing or drowning the dramatis personae.

★

Terence Stamp, wigged, frocked and lipsticked, takes his career in a whole new direction in the Australian film *The Adventures Of Priscilla, Queen Of The Desert*. Resembling a boot-sale Marlene Dietrich, the one-time British heart-throb plays a drag queen joining up with two others (Hugo Weaving, ex-*Neighbours* star Guy Pearce) on a tour through the Outback, during which their bus breaks down.

At nature's mercy, what can they do but perform their numbers right there in the desert? So They punch out Abba to the Aborigines. They swap choice culture-shock epigrams. And they befriend a small town impresario (Bill Hunter), who falls for La Stamp at the expense of his Oriental performer-girlfriend, whose speciality is shooting ping-pong balls from an intimate body part.

All this and eye-catching scenery too. Writer-director Stephan Elliott, who underwhelmed the Cannes Film Festival in 1993 with *Frauds*, made up this year by stealing the entire event with *Priscilla*. The film should ideally be seen late at night with a crowd of well-wined friends. But once seen, never forgotten: especially the sight of Pearce sporting a billowing silver "train" as he mimes to "Sempre Libera" on the bus's moving roof while sitting inside a giant stiletto heel. I have never been to Australia, but I felt that I had after this.

★

I have been to Ireland, but I never felt I was there in *War Of The Buttons*. Set in the present day, this tale of two villages and their children's gang rivalry feels like a 1950s film: that era when Scotland, Wales and Ireland, on the British screen, were fantasylands of rural innocence dreamt up by jaded London.

Here the writer and producer of *Chariots Of Fire*, Colin Welland and David Puttnam, not content with re-potting Yves Robert's original 1962 French comedy, also re-train it as a inspirational fable of detente. After much running, jumping and fighting, the two fugitive gang leaders – we somehow know that good will sonorously triumph – end up saving each other's skins on a mountain face.

Meanwhile debut director John Roberts tries to haul into competence his cast of handpicked teenage unknowns. The best of these are the pintsized camp-followers, allowed their small ration of funny faces and throwaway comedy riffs. But the seniors are a dull lot: piped towards the uplifting finale by Rachel Portman's sub-Chieftains music and never helping to clarify for us – nor do Puttnam, Welland and company – whether this film is intended as an exercise in rural charm or children's comedy or universal moral improvement.

★

But Franco Zeffirelli's *Sparrow* is by some way the week's worst: another gilded tussle between temporal and spiritual love like his *Brother Sun, Sister Moon*. Aspiring nun Angela Bettis, on convent leave during a cholera epidemic, falls for passing hunk Jonathan Scaech. Soon 1850s Sicily is melting into gilded visual goo reminiscent of a margarine commercial. While the camera does its soft-focus transports, guest stars Dennis Quilley, Valentina Cortese and Vanessa Redgrave try to extract some sensible dialogue – vain task – from the soft-headed script.

Pawns in the long march of Chinese politics: Gong Li and Ge You in 'To Live'

Theatre: down-and-out in Brezhnev's Russia, and a 'Binglish' version of Molière

Tom Courtenay: a rich, blackly funny monologue Alastair Muir

Moscow Stations

On a suburban train from Moscow, Venichka Yerofeev is trying to get to Petushki. He has consumed an heroic number of vodkas since early morning, which seems to be the best way of coping with down-and-out life in Brezhnev's Russia. Already – as perhaps always – he is gently, beatifically bleary, and as the stations go by he regales us with notes on his journey, anecdotes and reminiscences. Moscow is huge and bleak, and he has never actually managed to find the Kremlin there; in Petushki, however, jasmine scents the air and a lovely woman awaits him. As far as we can tell, he never quite gets there.

Venedikt Yerofeev was an intellectual drop-out whose short novel *Moskva-Petushki* was published in samizdat during the 1960s. In Stephen Mulrine's eloquent adaptation, it makes a rich, blackly funny monologue for Tom Courtenay (who did it first on Radio 3). The obvious comparison with *Jeffrey Bernard is Unwell* goes only a little way: though *Moscow Stations* is autobiographical too, Venichka has none of Bernard's cheerful malice, nor – overtly, anyhow – anything of Louis-Ferdinand Céline's scathing fury at the ruined life around him.

Instead, like a holy fool, he observes the bizarre, ludicrous and pitiful things that go on around him kindly and dispassionately, from the safe depths of his alcoholic haze. The comedy is mordant, but it is not he who puts the bite into it. Though the drift of the narrative is as uncertain as the direction of the train, the images of moral and civic decay tell their own story. A closer model would be Diderot's once-famous *Le Neveu de Rameau*, in which another dissolute dissident floats through another collapsing social order.

At the Garrick Theatre Tim Hately's stage furnishings are minimal (but crisply enhanced by lighting, sound and direction, respectively by Ian Sommerville, John Irvine and Ian Brown). For almost two hours Courtenay meanders and stumbles with rubber-legged grace on a long, sharply tilted ramp, bare but for a crude bench. Without actorly displays, he conveys a whole, wryly baffled character and his milieu, in a vodka-sodden baritone that holds up beautifully to the challenge.

The Garrick is tolerably well suited to the show, though more intimate surroundings would be better. If you go, sit close: the wealth of pawky Courtenay touches that make it more than a staged radio monologue may be partly lost on the back rows.

David Murray

The Bourgeois Gentilhomme

Jatinder Verma Moghal transposition of Molière's *Tartuffe* for the National Theatre in 1990 drew universal plaudits. Now once more under the banner of his own Tara Arts company, he has returned to the same fertile source.

Verma's adaptation of *The Bourgeois Gentilhomme* is set in the French colony of Pondicherry in the southern India of the late 17th century. The merchant Monsieur Jourdain, ludicrously eager to elevate himself socially, here becomes successful fisherman Thirru Kaka Deen, hopelessly trying to buy in bulk the frills and furbelows, airs and graces which will unlock to him the world of the *Armians*, or French colonisers. In order to win his daughter's hand after Kaka's first snobbish rebuff, her suitor impersonates not the Great Turk but the Sun King himself.

Much play is made of Kaka Deen's desire to transform himself from a crow (the literal meaning of his name) into a peacock, and Vincent Ebrahim makes a fine strutting idiot, attempting to buy knowledge by the yard and discovering, in the original play's most famous aphorism, that he has been speaking prose all his life and never realised it.

Yet Verma's version is more than mere prose. He uses the term "Binglish" (by analogy with "Bollywood", the common coinage for the Bombay movie industry) to describe the fizzing East-West linguistic cocktail which his characters speak. The likes of Salman Rushdie and Vikram Seth have conveyed the energy of this modern vernacular on the page, but hearing a classic French comedy rendered thus is another experience entirely.

The unaccustomed ear is never allowed to attune fully; Verma is alert to the possibilities of "Binglish" for ridicule, as Kaka Deen fails time and again to master the formal "received" speech of the nobles whose favour he craves, and lapses back into his altogether livelier "natural" lexicon.

This cheery verbal syllabub re-enacts the central message which Tara's production elicits from the narrative: that energy, happiness and truth are found in hybridity rather than in trying to attain a phoney alien propriety.

Kaka Deen is spoken of as would-be social "coconut" – brown on the outside, white on the inside – yet when the play reverts in the final moments to the modern frame in which Verma has mounted it, the question, "Are you a coconut?" is met with a joyous affirmative "Aren't we all?"

The change and interaction of words and cultures is to be embraced: at one point a character quotes the central teaching of 20th-century guru, Meher Baba; pauses; repeats it, and begins singing it ... because that is what we now associate with the phrase "Don't worry, be happy," that is what it now means to us.

None of which is to damn the production as "worthy". The performance I saw managed (eventually) to seduce even a resolutely Surrey-commuter-belt audience at the Maltings, Farnham into going along with the larks. Molière's "*comédie-ballet*" is rendered with song (accompanied with an arsenal of percussion by Joji Hirota), dance (choreographic consultant, Shobana Jeyasingh) and a kind of semi-improvised puppetry, which sees Kaka Deen exchanging flatteries with an aristocratic mango wearing a tricorn.

Verma's primary aim is celebration rather than profundity, and on that score *The Bourgeois Gentilhomme* succeeds comfortably, thank you.

Ian Shuttleworth

Touring; then Bridge Lane Theatre Battersea Oct 31 - Nov 19 (071 228 8828)

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Sun, Mon: Isaac Stern violin recital. Oct 23, 24: Kurt Masur conducts Leipzig Gewandhaus Orchestra (01-728 2333/01-722 5511)

BOLOGNA

Teatro Communale Sat, Sun: Giuseppe Sinopoli conducts Orchestra and Chorus of the Teatro Communale in Beethoven's Ninth Symphony. Mon: Vladimir Spivakov violin recital. The opera season begins on Nov 26 with a new production of Rossini's Il turco in Italia (051-529999)

LONDON

THEATRE

- The Venetian Twins: a transfer from Stratford of Ranjit Bolt's new RSC version of Goldoni's 18th century Italian comedy, directed by Michael Bogdanov (Barbican 071-638 8891)
- The Sisters Rosensweig: Michael Blakemore directs Maureen Lipman, Janet Suzman and Lynda Bellingham in Wendy Wasserstein's hit Broadway comedy about three American Jewish sisters who have a mid-life reunion in London (Old Vic 071-928 7616)
- The Seagull: Judi Dench heads a splendid cast in Pam Gems' new version of the Chekhov play. In repertory with a new production of The Devil's Disciple, Shaw's 1897 satire on melodrama (National, Olivier 071-928 2252)
- The Playboy of the Western World: J.M. Synge's dark, cruel Irish comedy, in a brilliantly perceptive production directed by Lynne Parker (Almeida 071-359 4404)
- The Winslow Boy: Peter Barkworth is ideally cast as the stiff upper-lipped father battling Whitehall to prove the innocence of his son, who has been expelled from naval college. A well-made production of Terence Rattigan's well-made 1946 play (Globe 071-494 5065)
- The Queen and I: Sue Townsend's stage adaptation of her own best-selling novel in which the Royal Family are sent to live on a run-down housing estate. Max Stafford-Clark's Royal Court production transfers to the West End. Now previewing, opens on Mon (Vaudeville 071-836 9987)
- The Slab Boys Trilogy: the first London revival since 1982 of John Byrne's comic trilogy, which follows the lives of three Paisley boys from desperate youth to despairing middle-age. The three plays can be seen individually or as a complete package on certain Saturdays (Young Vic 071-928 6363)
- The Children's Hour: Howard Davies directs the National Theatre's new production of Lillian Hellman's 1934 drama, about a vengeful schoolgirl who accuses her teachers of having a lesbian affair and sets in motion the collapse of their world. The cast is headed by Harriet Walter and Claire Higgins (National, Lyttelton 071-928 2252)
- Once on this Island: a special Caribbean environment has been created at the Royalty for Lynn Ahrens and Stephen Flaherty's fairy-tale musical about a peasant girl's doomed love for an aristocrat (The Island Theatre at the Royalty 071-494 5090)
- She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA/DANCE

Covent Garden The Royal Opera's new Ring production opens tonight with Das Rheingold and tomorrow with Die Walküre, staged by Richard Jones and conducted by Bernard Haitink. The cast includes John Tomlinson, Ekkehard Wlaschiha, Robert Tear, Poul Elming, Deborah Polaski, Ulla Gustafson and Jane Henschel (next performances Oct 20/22, 25/29). Turandot returns on Oct 24 with Gwyneth Jones in the title role, and the Royal Ballet presents Anthony Dowell's new production of Sleeping Beauty on Nov 4 (071-304 4000)

Coliseum English National Opera has new productions of Massenet's Don Quichotte (with Richard Van Allan and Alan Opie, next performances tonight, Sat and Mon) and Tosca (with Rosalind Plowright, next performances tomorrow and Tues). Nicholas Hytner's production of Die Zauberflöte is revived next Thurs (071-836 3161)

Sadler's Wells Grupo Corpo, a company of 18 dancers from Brazil, is in residence till Sat. Oct 18-29: American performance group Momix (071-278 8916)

Queen Elizabeth Hall Next Tues, Wed, Thurs: Lucinda Childs Dance Company. Oct 22, 23: Stephen Petronio (071-928 8800)

CONCERTS

Barbican Tonight: Michael Tilson Thomas conducts London Symphony Orchestra in Mahler's Fifth Symphony. Sat: Pinchas Zukerman directs English Chamber Orchestra in Bach, Mozart and Haydn. Mon and Wed (also Oct 22, 24, 26): Andras Schiff and friends present rarely-heard chamber and choral music by Janacek and Schubert. Tues: Lithuan National Philharmonic Orchestra plays Sibelius, Shostakovich and Tchaikovsky. Oct 25: Solti conducts the LSO (071-638 8891)

South Bank Centre Tonight: Charles Mackerras conducts RPO in works by Mozart and Richard Strauss, with horn soloist Jeffrey Bryant. Tonight (QEH): Mitsuko Uchida piano recital. Tomorrow: Leonard Slatkin conducts Philharmonia Orchestra in works by Poulenc and Saint-Saens, with the Labeque Sisters. Sun: Andrew Davis conducts BBC Symphony Orchestra and Chorus in Berlioz's Romeo et Juliette, with Jean Rigby, John-Mark Ainsley and Matthew Best. Sun (QEH): Mark Elder conducts Orchestra of the Age of Enlightenment in concert performance of Weber's Euryanthe, with cast headed by Christine Brewer. Mon: Franz Welser-Möst conducts LPO in Schumann's Scenes from Faust, with cast including Thomas Hampson and Margaret Price. Tues: Charles Mackerras conducts RPO in a Rudolf Kempe memorial concert featuring works by Mozart and Strauss. Wed: Alfred Brendel plays Beethoven piano sonatas (071-928 8800)

MILAN

Teatro alla Scala Tomorrow, Sat, next Tues, Wed, Thurs: Riccardo Muti conducts Gilbert Deflo's production of Monteverdi's L'incoronazione di Poppea, with alternating casts including Anna Caterina Antonacci, Debora Beronesi, Luciano d'Intino, Nuccia Focile and William Matteuzzi. Sun: Vincenzo La Scola is tenor soloist with I Virtuosi Italiani. Mon: Ruggero Raimondi song recital. Oct 27: Georg Solti conducts London Symphony Orchestra (02-7200 3744)

PRAGUE

Dvorak Hall Tonight: Jiri Belohlavek conducts Prague Symphony Orchestra in works by Beethoven, Shotsakovich and Mozart, with cello soloist Jiri Barta and soprano Eva Urbanova. Sun: Boris Krajny piano recital. Mon: Wihan String Quartet. Wed: Stamitz Quartet, with violist Christian Schiller, plays Mozart, Smetana and Martinu. Next Thurs and Fri: Vaclav Neumann conducts the Czech Philharmonic (02-2489 3352)

ROME

The Orchestra dell'Accademia Nazionale di Santa Cecilia opens its new season of subscription concerts on Sat with a Bach and Stravinsky programme conducted by Daniele Gatti (repeated Sun, Mon and Tues). Visiting soloists in the pre-Christmas period include Barbara Hendricks, Krystian Zimerman, Vladimir Spivakov and Cecilia Gasdia. The conductors' roster includes Myung-Whun Chung, Georges Prêtre, Christian Thielemann, Gennady Rozhdestvensky and Carlo Maria Giulini. All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

TURIN

Teatro Regio The 1994-5 season opens on Sun afternoon with Donizetti's L'elisir d'amore, conducted by Fabrizio Maria Carminati and staged by Vittorio Borrelli. The cast is headed by Maria Costanza Nocentini/Silvia Gavarotti, Alfonso Antoniozzi/Matteo Peirone and Claudio Di Segni. The season also includes Donizetti's La fille du régiment, The Nutcracker, Britten's A Midsummer Night's Dream and The Turn of the Screw, Verdi's Simon Boccanegra and Jérusalem, Mozart's Mitridate and Puccini's Gianni Schicchi and Tosca (011-8815 241/011-8815 209)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Cowboys in the wild, wild east

BOOK REVIEW

After a year spearheading the Russian government's crackdown on organised crime, Inspector Vladimir Kalinichenko decided it was a Sisyphean struggle.

"In this sort of environment, the people who were in official posts can still do whatever they want," a dejected Mr Kalinichenko explained, after discovering yet another link between the gangsters he was meant to fight and the government officials he was meant to serve.

Mr Kalinichenko is one of hundreds of Russians whose adventures in the new wild east convinced Stephen Handelman that gangster-bureaucrats have become the ruling figures in the new Russia. A bitter assertion – made timely by *allegations* that government insiders may have profited from this week's crash of the rouble – this is the subject of *Comrade Criminal*, Handelman's great, but depressing new book.

Mr Handelman, who was Moscow bureau chief for Canada's Toronto Star for five years, contends that the promise held out by the collapse of *communism exists* no *more*. Instead of capitalism, Russia has turned to "frenzied profiteering"; instead of fairly applied laws and contracts, Russia has corrupt officials and business deals enforced *through the* barrel of a *gun*; and instead of democracy, Russia's future will be one of authoritarian rule or criminal chaos.

His book is based on travels through the arms bazaars of the embattled Chechen republic in the Caucasus, the bustling ports of tiny Estonia – which, on the strength of metal smuggled in from Russia, became the world's sixth largest exporter of ferrous metal in 1993 – and the *large* defence plants of the Urals.

Gripping and lively, it is an account of mafia machinations and the generally fruitless efforts of honest cops and outnumbered democratic politicians to thwart them.

The democrats' struggle is a fight against *history*, suggests

COMRADE CRIMINAL – The Theft of the Second Russian Revolution
By Stephen Handelman
Michael Joseph, £16.99, 360 pages

Handelman. The Bolshavik revolution of 1917 established a state ruled by communist comrades, who, faced with impossible production targets, used corruption to grease the creaky wheels of central planning.

The shadow of this state, *revealed* in fascinating detail by Handelman, was a *Vorovsky Mir*, a criminal world, of gangsters who provided Soviet citizens with the consumer goods *thair ruling* comrades *considered* inessential.

Handelman's account of the cementing of an alliance between the comrades and the criminals adds up to one of the most comprehensive and convincing representations of what has happened in Russia since 1991. But the book describes a system, rather than a government. The author offers a *compelling vision of* how Russia is run, but the identities of these new rulers, and how they are making their money, are subjects he skirts around.

Who is using Russia's *thriving stock market* to take control of the country? What is happening in the oil and gas fields of Siberia? And who is controlling Russia's buoyant metals trade?

It may be that no western *reporter can penetrate* the labyrinth of Russian capitalism and live to tell the tale. But Handelman's book is like a vivid account of the wild capitalists of 19th century America that fails to mention the Rockefellers.

This is a serious failing. The restriction of Handelman's account to shadowy, often unnamed figures on the margins of Russia's criminalised political economy does nothing to prove *many of his* most powerful assertions.

After rousing descriptions of the code of honour between Russia's gangsters, and the corruption of its apparatchiks, Mr Handelman reveals his hand, without support, in the third and concluding section of the book.

The comrade criminal has become "the dominant political figure of Russia", he charges. The second Russian revolution has already been "stolen", he argues, and the comrade criminals – *"the former nomenklatura* and their allies" – already dominate President Boris Yeltsin's cabinet.

Handelman takes a shot at Mr Yuri Luzhkov, the litigious mayor of Moscow, who has been accused of corruption in the sale of the city's real *estate. Such charges against* Mr Luzhkov have never been proved.

But the author only allusively and tentatively connects his faceless comrade criminals with real men in Yeltsin's cabinet, with specific provincial government leaders still in office or with Russia's leading industrialists and financiers.

There are a few other, minor quibbles. Handelman's assertion that "Russia's post-communist uncertainty has been duplicated in other countries of the former Soviet Union and eastern Europe" paints with *too broad a brush*. In Poland, the Czech Republic, Hungary, Slovenia and Eatonia, many former communists have transformed themselves into capitalists but, unlike their Russian comrades described by Handelman, they are rapidly and willingly learning to play by the relatively genteel western rules of the game.

Moreover, Handelman waa rash to predict that "there are already signs of an exodus of western investors". On the contrary, this year more than $3bn of western investments have already gone into Russia.

Growing investment does not disprove Handalman's argument about the basically deformed *nature of Russia's* new economy; in other emerging markets, and sometimes at home, western businessmen have shown no overpowering aversion to working with crooks. But western investors' *rapid acquisition* of the *skills* necessary to deal with comrade capitalists renders improbable Handelman's concinding hope that, alerted to the theft of the second Russian revolution, the west will somehow come to the rescue.

Chrystia Freeland

ECONOMIC VIEWPOINT

There ain't gonna be no tax cuts

By Samuel Brittan

The UK Budgat for 1995-96, to be presented on November 29, is unlikely to change the tax burden by more than is already planned as a *result* of *previous* budgets. It will be called a neutral one – quite wrongly as the tax burden is increasing and will continue to do so.

A bogus debate is however starting on whether the Conservative government should prepare to cut taxes in the *following* 1995 budget. These would take effect in 1996-97, the last financial year before an election must be held.

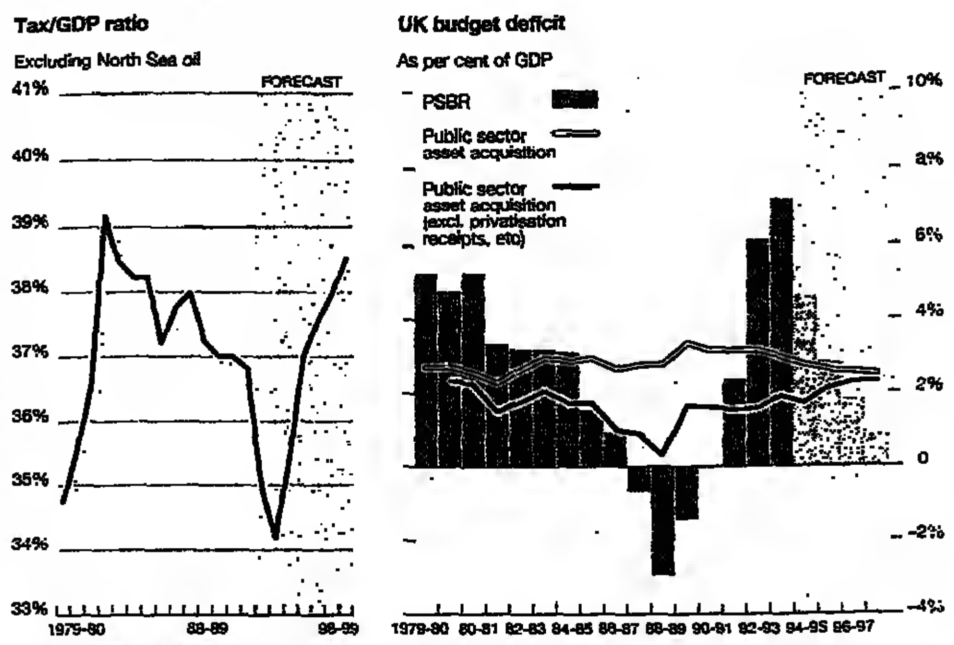
But there is one thing to get straight at the outset. In any sensible use of language, there will not be any tax cuts either in this Budget or *the* the next one, whichever school of thought wins the debate. The only question is how large the tax increases are to be.

Tha previous chancellor, Norman Lamont, announced in his budget of March 1993 staggered tax increases to take effect in later yeara as economic recovery got under way. This was what I called the Augustinian policy of making the government's finances chaste, but not yet. The present chancellor, Kenneth Clarke, in his budget of November 1993 added to the tax increases in the pipeline. The increases imposed by the *two 1993 budgets together will* have raised the tax take by £15bn or more than 2 per cent of gross domestic product by the coming fiscal year, 1995-96. The aim was to reduce the Public Sector Borrowing Requirement from its post-recession peak of 7 per cent of GDP in 1993-94.

This would involve, according to Treasury projections, taxes, excluding North Sea oil, rising from a low of 34½ per cent of GDP in 1993-94 to more than 38 per cent by the late 1990s. In actual cash, and assuming very moderate inflation, we are talking about an eventual net addition to the tax burden of well in excess of *£30bn – much larger than any* conceivable 'tax cut'.

Assuming the presenl government remains in office at least until 1997 (the last year for holding an election), the net effect of 18 years of Conservative *government* will have been to raise the ratio of tax to GDP by 4 percentage points over the level it inherited from the Callaghan Labour government. These trends were all in the official Budget documents and neither chancellor tried to hide them. But it took a campaign by Labour's Gordon Brown to make the public realise what was in store.

Taxation under the Tories



Source: Nov 1993 Budget Red Book

Source: IFS

The Institute for Fiscal Studies, in its Green Budget presented in collaboration with US investment bank Goldman Sachs, has a central estimate of the PSBR for 1995-96 amounting to £21bn, some £9bn less than the Treasury projected in its Red Book of a year ago. The improvement is, however, due to the effect of unexpectedly rapid recovery on revenue and unexpecledly low inflation on spending. It is therefore no reason for relaxing tax policy if one believes that that policy ought to be related to longer-run trends, and that cyclically induced fluctuations in government should be taken in their stride.

But even if the influence of the business cycle were disregarded and the whole improvement were to be crudely handed back to the taxpayer, the latter would still be paying in tax a steadily rising proportion of her income. The only question is thus whether to limit – but certainly not to reverse – the size of the tax increases already planned and announced, which the public accepts, however grudgingly, that it will have to pay.

Suppose however that in the November 1995 budget Mr Clarke were to chance his arm by providing £5bn of what the headlines would wrongly call 'tax cuts'. What then? It does not take a prophel to say that these measures would largely take the form of widening the lower income-tax band and taking one or two percentage points off the basic rate. The net effect then of several budgets together will have been a tax increase combined with a structural change. The latter will have involved a reduction in tax privileges for home-buyers, married couples and the like, and somewhat higher indirect taxes especially on fuel. The proceeds would have been used partly to reduce the budget deficit and partly to finance a slight reduction in the marginal income tax rate. The changes *will*, on balance, be an improvement but come as a sida effect of raising rather than lowering taxes.

The only question is whether to limit – but not reverse – the tax increases already planned

The authors of the Green Book, however, far from favouring a reduction in the tax increases in the pipeline, lean on the contrary towards a further fiscal tightening. Their argument is that if real GDP growth averages near 3 per cent per annum – their central estimate – a risk-averse government would start lo worry about the build-up in external debt arising from balance of payments deficits.

Their prescriplion is to tighten fiscal policy more than is really required to slow down domestic demand and offset this by a monetary policy "set lo achieve an exchange rate consistent with some improvement in net exports" – code for further devaluation. My guess is that quite a few in the Treasury would like the chancellor lo take this approach if they thought they could get away with it, but as a next best will settle for trying to sell it to a future Labour government.

Yet on present evidence fiscal tightening would be just as foolish as the cosmetic tax cuts advocated by the Tory right. The whole external deficit scenario is highly speculative and downgrades slerling's highly-competitive present real exchange rate. More fundamentally, a build-up in external debt, which emanates entirely from the private sector, is a matter for the private sector and is self-reversing.

The Green Book's own projections show that public finances are moving in a sustainable direction and are most unlikely to be the source of an external deficit. In the second chart, projected public-sector deficits are compared with the creation of capital assets by the public seclur. They show that the "golden rule" – which says that public-sector deficits *should not* exceed capital formation – is likely soon to be achieved. Another test of soundness – the stabilisation of the debt to GDP ratio – should be achieved *still earlier*.

Indeed the chart shows that public sector finances have been fairly sensibly run under a series of chancellors. When the UK was recovering from recession in the early 1980s, there was a budget deficit. In the boom of the later 1980s the public finances went into surplus and the "golden rule" was more than observed. Further deficits were incurred in the recession of the early 1990s which are again giving way to much smaller deficits and perhaps even surpluses.

Goldman Sachs nowadays loses no opportunity of denouncing the tax remissions of the late 1980s. Yet at the time the firm was adamant that the Budget surpluses of the period amounted lo a tightening of policy even on a cyclically adjusted basis. Rough and ready attempts to set Budgel objectives without being too much influenced by temporary fluctuations are more likely to succeed than more refined cyclical adjustments possible only with hindsight.

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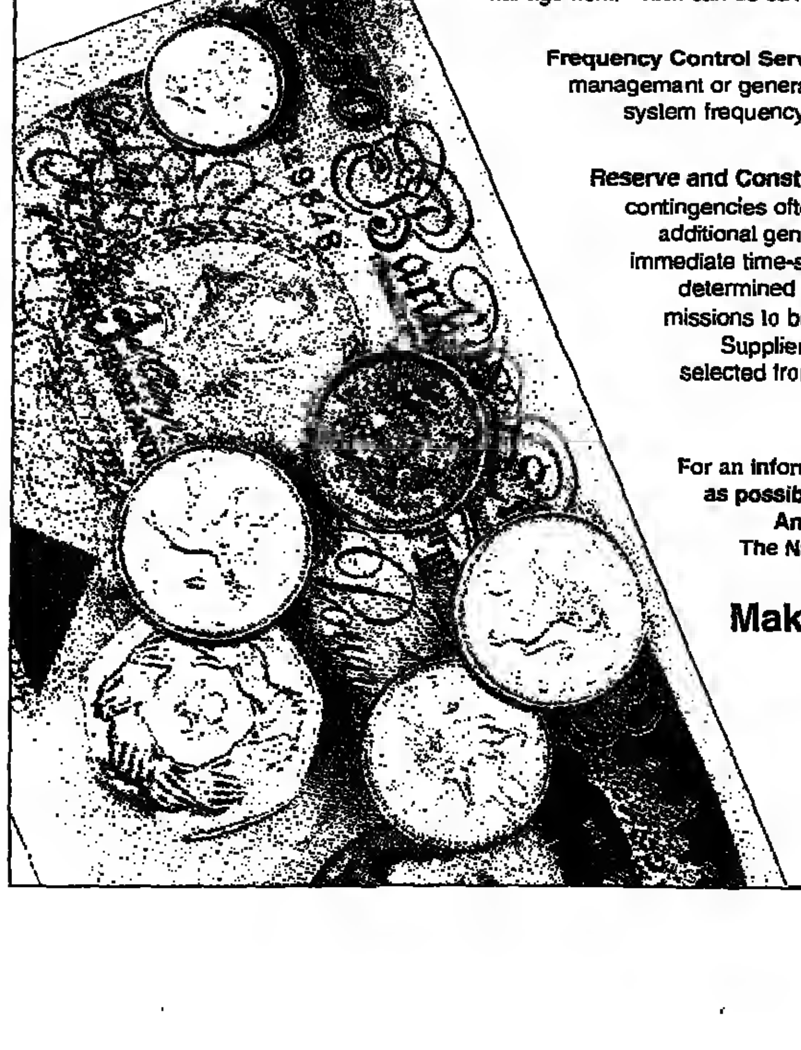

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. *Please set fax for finest resolution*

A basis for Russian and Nato accord

From Mr Andrew Boulton.

Sir, I refer to your two articles, "Russia and west split on Europe's security" and "Baltics struggle to muster a credible defence" (October 10).

Russia is rightly concerned about the stability and security of the southern members of the Commonwealth of Independent States and is sufficiently respectful of Nato to seek its endorsement before deploying Russian peacemaking troops.

An exact parallel is Nato's concern for the stability and security of the countries immediately to Nato's east. . .the three *Baltic States*, the Visegrad four, Romania and Bulgaria.

There would now seem to be an opportunity for the Conference on Security and Co-operation in Europe to reach a mutually acceptable and beneficial agreement – acknowledging that Russia should assume the lead role and deploy peacemaking troops within the CIS, *and acknowledging* that Nato can similarly deploy peacekeeping troops throughout those European countries above, to Nato's east, and up to *the* CIS borders.

Andrew Boulton
principal,
Boulton Marketing Consultancy,
Clarendon Road,
Linlithgow,
Lothian EH49 6AN

What duty?

From Dr L G Brookes.

Sir, in taking Ms Clare Spottiswoode to task about her understanding of her duties as director-general of Ofgas, the gas industry regulator, Mr Andrew Warren – who represents the interests of the industry that supplies energy efficiency hardware and services – fails to make it clear why she or anyone else should have a duty to further the interests of the members of his industry (Letters, October 11). If their products are worth buying, the market should take care of their interests in the same way as it does for any other industry. If they are not, so be it.

L G Brookes,
16 Ipswich Road,
Bournemouth BH4 9HZ

Excellent basis for funding research

From Prof Gordon Conway,

Sir, Your editorial, "University reform" (October 11), calls for research funding to be restricted to a designated 20 or so universities. But if such concentration is to occur, it must be strictly on the basis of excellence. There is a belief in some quarters that high-quality research can only be conducted in large institutions. Yet of the 20 top research universities at the last research assessment exercise, 11 were of middle or small size (London School of Economics, Warwick, Lancaster, Sussex, York, Birkbeck, Durham, Exeter, Essex, East Anglia and Bath).

These 11 have demonstrated that it is not necessary to be big to be *excellent* or innovative. A high degree of focus, support for new fields, an interdisciplinary approach and the ability to be flexible and fast-moving can, individually or in combination, compensate for lack of size.

Gordon Conway,
vice-chancellor,
University of Sussex,
Brighton BN1 9RH

Doubtful opinion

From Dr J Toporowski.

Sir, As someone with a high regard for your newspaper, I am dismayed that you have advertised the opinion of central bankers, finance ministry officials and financial executives who regard yours as the publication that most influences them ("The FT influence", October 10).

I would not stake my reputation on the mess created by these gentlemen.

J Toporowski,
South Bank University,
103 Borough Road,
London SE1 0AA

Women use business centres too

From Mrs S Y Rhys Jones.

Sir, When Visa International set about finding out the important factors in choosing a hotel why *did it restrict the* question about business centres to men? (Business Travel Survey, October 10). Was it because the researchers *assumed that the women* interviewed were merely accompanying the men and therefore interested only in factors such as hair-dryers and prompt laundry services?

I have just returned from a *business trip to Australia*, during which I sent and received a large number of faxes, telephone message and packages courtesy of the business centre at my hotel. Of course I appreciated the hair-dryer and the iron too and it was a refreshing change to be supplied with additional clothes hangers capable of holding skirts, rather than trousers.

What is more, nobody batted an eyelid when I signed the Visa credit slip rather than my six-foot five inch male partner.

S Y Rhys Jones,
Halley House,
49 Burney Street,
Greenwich, London SE10 8EX

Pervasive model for modern managers

From Mr Tony Kippenberger.

Sir, Tim Dickson's piece on Frederick Winslow Taylor (Management: Pioneers and *Prophets, October 3)* is interesting and valuable.

Since so much of today's management theory is currently being questioned, going back to its roots is an important contribution to the debate – unlike The Economist, which has started its series on management theorists with Tom Peters.

What Tim Dickson omits is that arguably Taylor "invented" functional management. This was an integral part of his scientific management approach which broke all activities down into separate, *divisible* (and therefore measurable) parts. Taylor's approach was no doubt valid for its time, particularly among the largely unskilled migrant workforce in the US of the late 19th century, as was Henri Fayol's similarly dated exposition of the "practice of management" at a time when France faced considerable international competition ("Les Misérables").

In the intervening years, these two founding theories of management have been added to, amended and adjusted. Although they have also been increasingly challenged, it is undeniable that they remain pervasive models in most managers' mindsets.

They lie at the core of what many believe to be the theory and science of management. As such they have taken on the semblance of certainties – so deeply embedded that they are not even questioned.

Although their viability, as apparently unalterable truths, may have been gently eroded over *time*, they have not been fundamentally challenged in such a way that requires complete re-evaluation. Instead, later work – and there has been much of it – has formed as an accretion around these original ideas, rather than supplanting them. They therefore continue to lie buried under layers of newer, sometimes fresher thinking – relatively undisturbed.

Much of the "buzz" in management today – re-engineering, empowerment, self-organ*ising* teams, de-layered and flatter management and even the "fall" of *strategic* planning – is at risk of failure (for good or ill) if the prevalent mindsets inherited from the 19th century are not put up for questioning. They brought us the concepts of "staff" and "line" and the need for discrete functions, notions about forecasting and planning, *the need for* command and control and the desirability of the stopwatch. There is a sense of discordance with our world, 100 years later.

The sooner this is debated the better.

Tony Kippenberger,
director,
The Centre for Strategic Business Studies,
St Thomas House,
St Thomas Street,
Winchester SO23 9HE

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Thursday October 13 1994

Russia unravels

For nine months, Russia's economic policy has been constructed around a myth: that an economy can be stabilised gradually. The government feared the political consequences of a more radical approach. Instead, it has spent months trying to foster belief in a more user-friendly alternative. This week's fall in the rouble is only the most recent evidence that the package is unsellable. The currency will fall further as long as its value is tied to the success of a bankrupt policy.

The 21.5 per cent fall in the rouble on Tuesday left President Boris Yeltsin looking for scapegoats. Mr Sergei Dubinin, the acting finance minister, has been sacked. Central bank chairman Mr Viktor Gerashchenko may go with him. Part of the blame for the government's lack of credibility lies with individuals. The tacit relaxation of monetary controls over the summer came as a result of individual ministers giving in to the constant pleas for assistance from agricultural and industrial producers. More broadly, evidence of state corruption continues to mount.

But changing the individual policymakers will do nothing if there is not a fundamental reform of economic policy to go with it. There must be a stable macroeconomic framework if Russia is to achieve sustainable long-term growth. Stability means winning the battle against inflation, and winning that battle means establishing a strict set of monetary and fiscal guidelines to which ministers can credibly adhere.

Few – whether inside or outside Russia – believe that the current approach can deliver this stability. Reducing inflation, without the benefit of a nominal anchor for prices, such as a fixed exchange rate, has meant months of attempted monetary restraint, supported by necessarily high real interest rates.

High interest rates, in forcing more producers into bankruptcy, fuelled the very pressures for monetary stimulus which policymakers were already in a weak position to resist. But high rates also cost the government dear, by raising the cost of servicing government debt. The longer they prevail, the more likely it is that the government will resort to further inflation in order to lower that burden.

Thus, whether or not members of the government actively fuelled the fall of the rouble – as President Yeltsin and others have suggested – it is the logical consequence of anti-inflationary policies which lack both the will and the means to deliver.

The west can do more than watch. Under the auspices of the IMF, there must be a clear offer of large-scale financial support for any government willing to make a decisive break with the incremental, escapist approach of recent months. Support for a social safety net is vital, as is a fund to back the rouble, which would psychologically underpin a commitment to peg the exchange rate and make it fully convertible. But only a reformed government could make it worth defending.

Defence mergers

With the prospect of submarine maker VSEL being taken over by British Aerospace or GEC, the rationalisation of the UK defence industry is moving into its end game. GEC has already collected most of rival defence electronics supplier Ferranti; GKN has bought Westland; now BAe and GEC are seeking to secure their position in naval engineering.

At first sight some of these mergers lack coherence. Yet because the UK has reduced its defence industry to one aircraft manufacturer, a dominant electronics company, two large makers of land vehicles and a few shipyards, companies have to find cost savings from merging the companies which are left. The logical conclusion of this process would leave the UK with two giants: GEC, whose prime expertise is in electronics systems, and BAe which makes its money from engineering and project management. The question now is whether they themselves should merge or should seek alliances in a wider European context.

There is something to be said for a merger. GEC's £2.8bn cash mountain would provide BAe with the cast iron financial stability it has always lacked, while BAe's marketing flair could help GEC succeed in export markets. On the other hand, the ministry of defence may object to merger if the two companies have already digested the remainder of the defence industrial base. The two companies' cultures could also clash in a way which turned the dream merger into a nightmare. It is not hard to imagine GEC's inflexibility combining with BAe's accident-prone nature to produce a disaster.

The more attractive alternative, which both are already pursuing, is closer collaboration with continental partners. BAe has been negotiating a missile alliance with Matra of France and an ordnance merger with Giat. GEC is pooling its sonar business with the French electronics company Thomson.

Better still would be wholesale rationalisation of the European defence industry. Unfortunately this is being blocked by political objections. Britain, France and Germany in particular see their defence industries as vital security interests and status symbols.

They should realise that the ideal of independent national defence industries is an illusion. Many key technologies come from US, Japanese or other EU countries. Some equipment is so expensive that European countries can only afford it if it is pooled in Nato. Such collaboration would be so much easier if full cross-border mergers were permitted.

European politicians should seize the opportunity to remove the barriers obstructing mergers while the defence industry is still strong enough to compete with other suppliers. If that happened, companies such as BAe and GEC could decide in a free market whether their future is as national monoliths or international specialists with the scale to take on the best in the world.

Exclude Saddam

That President Saddam Hussein cannot get away with invading Kuwait was conclusively demonstrated in 1991. That he can be deterred from invading it, in spite of the certain consequences, is less sure. He only has to look as if he might be about to try, and thousands of troops and aircraft are rushed to the scene. This procedure is expansive and if repeated would be undignified.

Mr Saddam is well aware of that. In fact he is probably enjoying the commotion he has caused. Even if it does not pay any diplomatic dividend, such as a Russian-brokered deal involving an easing or gradual lifting of sanctions, it shows that he still has the capacity to induce something like panic in the international community. That may make him look stronger and so reinforce his grip on his own armed forces.

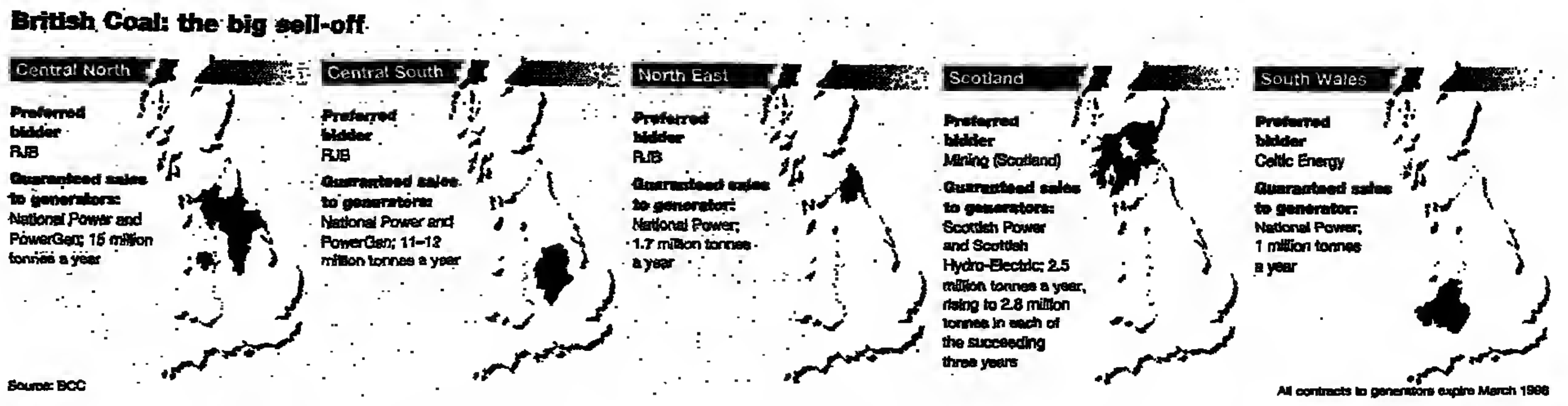
The US and Kuwait are rightly looking for ways to make it more difficult for him to achieve this effect. The no-fly zone south of the 32nd parallel, imposed in August 1992, already helps, since it deprives his forces of air cover as soon as they are within 130 miles of the Kuwaiti border. But clearly it is not enough. So they are canvassing the idea of a total exclusion zone, in which the movement of troops and military equipment would be banned on the ground as well as in the air.

Such a zone has been imposed by the allies north of the 36th parallel since April 1991, and has helped to preserve the Kurdish "safe haven" in the north-east. If only the same had been done in the south in March 1991, Mr Saddam would surely not have been able to defeat the Shia rebellion in the south. At the time, the US declined ostentatiously to give any support to the rebels, although it had half a million men virtually within earshot of what was happening. President Bush's spokesman, Mr Marlin Fitzwater, even stated publicly that the US had no objection to the use of helicopter gunships to suppress the revolt.

The only reason given publicly for this attitude at the time was an unconvincing, and in the circumstances hardly appropriate, neutrality in Iraq's internal affairs. The real reason was that the US feared a Shia success would mean that Iraq, or at any rate the southern half of it, would become a satellite of revolutionary Iran. Washington hoped and believed the Iraqi army, having suppressed the revolt and secured the integrity of the country, would depose Mr Saddam and replace him with a more pliable regime.

That strategy has manifestly failed. The US is now supporting an alternative leadership, the Iraqi National Congress, which has brought together Kurdish, Shia and some Sunni opponents of Mr Saddam. The right course now would be to declare southern Iraq a demilitarised zone, and encourage the INC to establish its authority there. It is hard to believe Mr Saddam's regime could long survive in Baghdad once more than half the country was outside its control.

British Coal: the big sell-off



Source: BCC

All contracts to generators expire March 1998

Private bidders' dash for coal

Michael Heseltine may have made some shrewd choices in privatising the UK's pits, says Michael Smith

Mr Michael Heseltine's relief was palpable yesterday as he announced the preferred bidders for British Coal, the state-owned mining company, and the industry moved into the final stages of privatisation.

"We have received offers which can be measured in hundreds of millions of pounds," he told representatives at the Conservative party conference in Bournemouth. "By next January nearly 30 British Coal pits will be in the private sector."

The trade and industry secretary's exultation was understandable. It was almost two years to the day since a crisis erupted over pre-privatisation pit closures that many observers thought would end his political career.

Mr Heseltine received the applause he expected from the party faithful, some of whom have been highly critical of the government's coal policy. But the government's problems with coal are not over yet.

First, ministers and their advisers must complete the final negotiations with what Mr Heseltine called the "likely successful bidders". These are RJB Mining, a quoted company whose bids have been conditionally accepted for the three English regions and two closed pits, Thorne in Yorkshire and Ellington in Northumberland; Celtic Energy, a management buy-out for most of Wales; Mining (Scotland), a consortium, for the Scottish pits; an employee buy-out team for Tower pit in south Wales; and a consortium including Coal Investments, another quoted for the Annesley Bentinck pit in Nottinghamshire.

Nothing is signed yet. A failure to reach final deals with the preferred bidders would be embarrassing for Mr Heseltine, who would then have to try to find an alternative buyer among other bidders.

But the real test for the government will be what happens to the industry after the privatisation, which is expected to be completed on December 24. If more pits close, blame is likely to be laid at the door of the government even if the industry is privately owned. Ministers will also face strong criticism if any of the companies they have selected to run Britain's pits find themselves in financial difficulty.

The government has taken a lot of trouble to ensure that such embarrassments are avoided. Rothschild, the government's merchant bank adviser, said that while the preferred bidders in each region had made the highest bids, they had also satisfied it on "intangible issues", including their financial viability and their long-term commitment to the industry.

The outcome of the tendering process has also given the government a result that is politically attractive. By choosing a management buy-out for the south Wales pits and a consortium in which trade unions have a stake for Scotland, they have been able to give credence to the government's desire to give employees a stake in the industry.

The selection of locally based companies in Wales and Scotland will also avoid accusations in those countries of an English takeover.

Ministers have taken a risk in disappointing the ambitions of the Union of Democratic Mineworkers, the breakaway union, which was in a consortium bidding for the two central English regions.

But the choice of RJB for all three English regions could prove a shrewd move. If RJB succeeds in completing the negotiations, it will take on 15 of the 16 British Coal pits that are still open. The company reckons that when these are added to the opencast interests that it will also take over and the three pits it already leases from the government, it will control more than 80 per cent of the coal industry.

The government's willingness to concentrate so much power in one company has taken the industry by surprise. Even in his speech yesterday, Mr Heseltine was stressing the benefits of competition that have arisen from other privatisations.

But giving all three regions to RJB allows ministers to argue that they are not driven by free-market dogma and that they have listened to British Coal's advice. British Coal has argued throughout the privatisation process that the industry should remain as one.

"Privatising English coal in one chunk is a good outcome for the industry," said one British Coal executive yesterday. "It will give the company strength through size, particularly in its discussions with the electricity generators for coal sales deals."

There was less rejoicing in the industry that the government's choice had fallen on RJB. Some executives said they would have preferred to work for Mr Malcolm Edwards, former British Coal marketing director who now heads Coal Investments, or for Mr Bob Siddall, the opencast director who led a management buy-out team.

Mr Richard Budge, the entrepreneur who heads RJB, is viewed as highly competent within British Coal, but there are fears that his personality may be too forceful for the good of the industry. If he lives up to his image, he could face confrontation with Mr Arthur Scargill, president of the National Union of Mineworkers, who is resolutely opposed to the changes in work practices and culture RJB says it needs to make a success of the English pits.

"The negatives are probably more in people's minds than in reality but he is viewed as domineering and dictatorial," said one executive. "We will want to see evidence that he can delegate."

Mr Budge yesterday played down the potential for confrontation. "Some of our existing pits have NUM members and there are no problems there," he said.

RJB's other main task is to sort out the finance needed to fund the bid. Since the company was floated on the London Stock Exchange last year, the shares have outperformed the market, but the company is still capitalised at less than £50m.

Neither RJB nor the government was prepared to discuss the size of its tenders yesterday, but the company is believed to have paid at least £900m. With gearing of about 70 per cent already, an issue of shares and more borrowing seems inevitable.

Stockbrokers' analysts said yesterday they saw no problems with raising such sums. Some said RJB's share price would rise when the shares returned to the market following yesterday's suspension. Much, however, will depend on the detail of the financing which has yet to be announced.

Details of the successful Scottish and Welsh bids were similarly undisclosed. However, to win the Welsh bid, Celtic Energy beat off powerful competition, including a consortium grouping Powell Duffryn and Wimpey. "Both companies wanted the Welsh region pretty badly to preserve their opencast interests there," said one analyst. "Celtic Energy must have put in a substantial offer."

But perhaps the largest determinant of the companies' future success will be the market for their coal, over which they have only limited control. The biggest problems are the potential growth of competing fuels in the electricity market.

The "dash for gas" that has forced the closure of so many pits in the past few years has spluttered back into life in the last few weeks. Two regional electricity companies, Midlands and Electricity, have announced their involvement in consortia to build gas-fired power stations which will eliminate the need for 3m tonnes of coal a year. British Gas is negotiating on the possibility of building a 1,200MW station near Bristol that could displace another 3m tonnes of coal.

British Coal executives and some of the unsuccessful bidders say they have been taken by surprise by the announcements. They also pointed out that the marketplace will be more crowded than expected because of the acceptance yesterday of bids to reopen some pits closed in the last year by British Coal.

Mr Budge was unconcerned. He had no plans for further believing the market would shrink only marginally from its current capacity. "Don't forget that there are 17m tonnes of imports and we can displace most of them," he said.

The 8,000 or so deep-pit miners who remain in the industry will be praying that Mr Budge and not the industry pessimists are right.

Signs that united Germany is working

PERSONAL VIEW

This year's German elections are the first true test of the political aspirations of unified Germany. The euphoria that followed the fall of the Berlin Wall is long gone. So too are the transitional arrangements that allowed the two halves of the new Germany to vote as separate districts in the 1990 elections.

In the four years since those elections, I have been to east Germany several times. I have heard the stories of colleagues dismissed from universities, "wound up", as local usage has it. I have heard of careers ruined, people thrown out of their homes, and apparently flourishing state enterprises sold to west German companies which shut them down.

In such soil, conspiracy theories grow. From such people, votes come for the Party of Democratic Socialism, the successor to East Germany's Communist party.

What I should to say to my east German friends is that, in spite of everything, unification works. Erfurt in September 1994 looks better than Erfurt in July 1993. People are better dressed. The shops are fuller.

Five years after the Berlin Wall came down, polls show that the majority of east Germans consider themselves winners as a result of the change. Unified Germany transfers each year about DM150bn (£61bn) from west to east. No wonder they feel good.

Currency reform has also worked. I talked to one of the economists who advised the Bundesbank on the rate of exchange between the two German currencies on unification. Experts at the time decided that it should be one D-Mark for 2.5 Ostmarks. Chancellor Helmut Kohl ignored them. He heard the footsteps of 40,000 people leaving east Germany each week. When the crowd said, "if the D-Mark won't come to us, we'll go to the D-Mark", Kohl gave them the D-Mark.

I asked the economist: "Who was right, the Bundesbank or Kohl?"

He hesitated and then said: "Kohl." There was no time to fiddle with exceptions and regulations, still less to guess the unintended consequences.

Among the beneficiaries of currency conversion, along with pensioners, were the organs of the east German state, whose huge, largely concealed cash balances suddenly turned into hard currency. By one of those ironies that make history such fun, Kohl became the benefactor of the PDS, the party which might bring his chancellorship to an end if it succeeds in winning seats in the new Bundestag.

The majority of east Germans consider themselves winners as a result of the change

I am here with a group of foreign academics, guests of the German Academic Exchange Service. I have had a chance to travel widely. What I see is not change, but continuity.

In the five years since the Leipzig demonstrations of October 1989, the old Federal Republic of Germany has absorbed five new federal states relatively painlessly. The constitutional lawyer Hartmut Jäckl points out that the German Basic Law, its constitution provisionally adopted in 1949, has scarcely been altered by unification and the federal structure not at all.

Since 1949, Germany has had coalition governments at federal level and on most state levels. Coalitions move to the centre and move slowly, if at all. German voters like that. Since 1949, no electoral swing has ever exceeded 5 per cent.

If the liberal Free Democratic party fails to get 5 per cent of the vote in next Sunday's election, it will not enter the new Bundestag. Since that would amount to change of much more than 5 per cent, it is not going to happen.

It does not matter that the FDP failed to get 5 per cent in the last seven state elections. Enough German voters understand their political system to ignore state results. Yesterday the Allensbach Institute announced that 57 per cent of those intending to give their second vote to the FDP will have cast their first vote for Chancellor Kohl's Christian Democratic Union. These German voters know what they want and how to get it.

The German state of 1994 is no longer provisional. The federal republic had 40 years of success before 1989. The last five years have brought more.

Lady Thatcher and President François Mitterrand were wrong about a united Germany. It is more, not less, stable than the pre-existing states. The symbol of that stability is the massive bulk of Helmut Kohl, "Bismarck in a baggy sweater".

Bismarck united the old Germany with the sword; Kohl with the vote. That's the real difference between the old and the new Germany.

Jonathan Steinberg

The author is reader in Modern European History at Trinity Hall, Cambridge

OBSERVER

Goldman wonder

■ If all private partnerships suffer from envy, Goldman Sachs must have an acute case; the rank and file always feels the partners keep the goodies all to themselves.

At Goldman, where 150 partners are reputed to have earned more than the rest of the 9,000 staff last year, the problem has reached its most extreme form.

Perhaps that explains why the US investment bank has just opened the partnership door a little wider. The firm has elevated 58 staffers to the ranks of the fabulously wealthy, compared with 35 in the previous biannual promotion.

But for every new partner there will be dozens of ambitious types who will be bitterly disappointed that they were overlooked.

If not made a Goldman partner by your mid-30s the chances are pretty slim you will make the grade. Add in the fact that an increasing number of the privileged few are retiring early and the average age of retirement is now down to 47, it's easy to see why Goldman veterans who have been passed over for partnership could easily become demoralised.

So far in 1994, Goldman's profits are reckoned to be running at little more than a quarter of last year's. Hence the gap between the earnings of the partners and the also-rans is not quite so startling as last year.

However, the problem has not gone away. With roughly a third of Goldman's partners now being new boys, it's hard to believe they will want to change the increasingly anachronistic payments system.

Euro-muddle

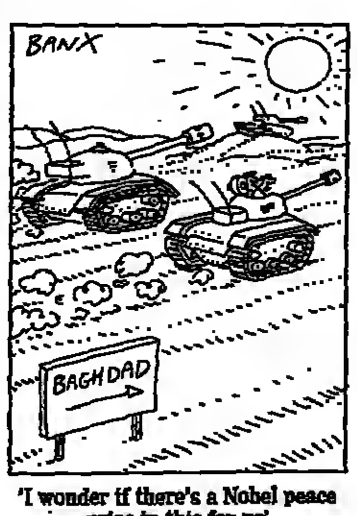
■ How timely. London's Hackney council launches its contribution to the European debate today, with a report on "Whose Europe is it anyway?". For further information, contact Louise Muddle.

Clearing Kavan

■ Jan Kavan can afford to smile again; he has been officially cleared by a Czech court of the charge of collaborating with the StB, communist Czechoslovakia's equivalent of the KGB.

In March 1991 a parliamentary commission said Kavan's name had been found in StB files. Kavan had been a famous dissident, indeed the opposition's main link with the west, while he lived in exile in London between 1969-89. The accusation was based on meetings he had in 1969-70 with an StB agent based in London's Czechoslovak embassy.

The ministry of interior says it will appeal against the latest judgement, though Kavan is confident there is no further evidence. He is now standing unopposed for the chairmanship of the Czech Social Democratic Party foreign affairs committee – effectively making him shadow foreign minister.



'I wonder if there's a Nobel peace prize in this for us'

Priceless

■ Michael Portillo's triumphal progress at the Tory party conference in Bournemouth tripped up yesterday. Sir George Gardiner, chairman of the Thatcherite Conservative Way Forward group, unwittingly ruined the employment secretary's best line at a fringe meeting. Unknown to Sir George, Portillo was preparing to poke fun at Labour's habit of charging for some of its policy documents.

But Sir George threw in his path a banana skin, by launching a hard sell for a CWF booklet of the Portillo's speeches – 'Clear Blue Water' – and a snip at £4.95. "Michael Portillo is only too willing to autograph it for you," added Gardiner.

Side-stepping rapidly, Portillo congratulated CWF for "having the chutzpah" to assemble the booklet, saying: "It's a real tribute to the capitalist system." As is Portillo.

Browned off

■ Vincent Tan, the prominent Malaysian-Chinese businessman, is after M$20m ($7.9m) damages from a magazine called Malaysian Industry, which he accuses of writing a series of articles that sought to destroy his personal and commercial reputation.

In Kuala Lumpur's high court, Tan this week claimed to be "the brains" behind Berjaya, a group with textiles, leisure, media and assorted other industries. He certainly is head and controlling shareholder of Berjaya, which he says now has 200 companies and 14,000 employees. Tan says that the articles have caused alarm and despondency among fund managers, and that some had sold their Berjaya shares.

"Yours humbly, Vincent Tan, is always in the forefront," said Tan. "Even if the M$20m is awarded to me, it cannot undo the harm and the stress put on me," he added. "If I had a weak heart I would have died. But fortunately I am 42 years old, still young and strong."

On guard

■ The Lord Mayor Sir Paul Newall, in Kuwait City yesterday during what was supposed to have been a routine Gulf trade tour, was at least well prepared. Britain may be mustering only a paltry collection of troops to send to the Kuwaitis' assistance, but the Lord Mayor's team should pass muster. Sir Paul did part of his national service with the Royal Fusiliers in the Sudan. His swordbearer Colonel John Ansell was with the Trucial Oman Scouts in the 1950's and was attached to the Kuwaiti armed forces in the early 1980s. Even the third member of the party, the "chief commoner" John Holland, is an honorary colonel in a TA parachute battalion. On this occasion the extra baggage in a Lord Mayor's overseas junket seems justifiable.

Black belter

■ You can tell much from a business card. Take that of Noudjalbaye Ngaryanan, formerly Chad's chief of police. His card now reads "Minister of public health" and "president of the amateur karate league". Shape up or else, perhaps.

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Conference speech wins rightwing Tory support

Portillo hits out against Brussels 'interference'

By Philip Stephens and Kevin Brown in Bournemouth

Mr Michael Portillo established himself yesterday as the unchallenged leader of the Conservative right in British politics as government divisions over Europe *were exposed again* at the party's annual conference in Bournemouth on the south coast of England.

In a confident and carefully calculated performance which won thunderous applause, the UK employment secretary *launched a fierce attack on interference* from Brussels and a passionate defence of British institutions and sovereignty.

Anticipating an intense debate within the government ahead of the 1996 intergovernmental conference, Mr Portillo said bluntly: "Sometimes you *have to tell* Brussels when to stop."

His conference debut speech as a cabinet minister came as Mr Kenneth Clarke, the chancellor of the exchequer, prepared to tell representatives later today that the economic upturn would bring a strong revival in the government's political fortunes before the next general election, which is due by 1997 at the latest.

But Mr Clarke was expected to combine a firm promise of eventual tax cuts with a warning that the *government would first* have to make further cuts in public spending programmes and bring down sharply the level of public borrowing.

The fresh discord over Europe coincided with a by-election threat after the death of Mr John Blackburn, Conservative member of parliament for Dudley West in the English Midlands. A by-election defeat would reduce Mr John Major's majority to 13 seats.

Mr Portillo insisted his comments on Europe were in line with government policy and was *at pains* to *repudiate* the view of Mr Norman Lamont, the former chancellor, that Britain might have to consider withdrawal from the European Union.

He added that the cabinet was "absolutely united" on the need to reduce interference from Brussels in the everyday lives of British citizens.

But the Eurosceptic tone of the speech – Mr Portillo said the government would "stop the rot" from Brussels – provoked a counterblast from Mr Michael Heseltine, the pro-European trade and industry secretary.

Mr Heseltine said a central role was vital for Britain's economic self-interest. He added: "Our choice is to influence what is happening – or let others set the rules. That is why the prime minister is right to talk of a Britain at the heart of Europe."

In a clear indication of the growing *irritation in Brussels at* attacks on the EU by Tory rightwingers, Sir Leon Brittan, the European competition commissioner, warned that the UK could be damaged by sniping from the sidelines.

Sir Leon said in Brussels that an "open and sensible *Europe*" was impossible "if we pander to lesser emotions and imply that our partners are not our friends".

C&W is first into Chinese telecoms market

By Simon Holberton in Hong Kong and Andrew Adonis in London

China took the first significant step in opening its telecommunications industry to foreign companies yesterday when Cable and Wireless of the UK announced agreement for a $300m investment to build networks.

Lord Young, C&W's chairman said Hongkong Telecom, in which it owns a majority stake, would work with Chinese partners to upgrade a cellular telephone network in Beijing. It would also construct a 3,000km optical fibre cable system to connect the city with Hong Kong.

The deals, which Lord Young expects to be finalised in the new year, represent China's first concession to a foreign company to play a role in operating telecoms networks. Hongkong Telecom's partners will be China'a Ministry of Post and Telecommunications *and Beijing's telecommunications* authority.

The deals heightened interest in the Chines market among other western telecoms operators, particularly US companies.

Mr Andrew Harrington, telecoms analyst at Salomon Brothers in Hong Kong, said the two ventures were a significant breakthrough in China's policy.

"The Chinese authorities realise that they need foreign capital *and expertise if they are* to develop the country's telecommunications network," he said.

Other analysts were unsure if Hongkong Telecom's proposed *ventures would serve* as a precedent for western operators or whether they reflected the company's special position in China. After Hong Kong reverts to Chinese *sovereignty* in 1997, Hongkong Telecom will be a company incorporated on the Chinese mainland. China International Trust and Investment Corporation, the Chinese government's main investment arm, owns 17 per cent of Hongkong Telecom.

Beijing has, until now, maintained a state monopoly in telecoms services, although the market has been open to western equipment suppliers. The opening of the services to joint ventures with foreign operators is driven by China's plans to modernise and expand its networks.

Analysts believe a change in *market conditions* has made it more difficult for China to attract special credit facilities from equipment suppliers, necessitating a faster than expected introduction of foreign participation.

Investors who bought Hongkong Telecom's stock in advance of the announcement, lifting the share price 5.5 per cent yesterday to HK$16.30.

Foreign operators calling Beijing's number, Page 7
C&W priorities, Page 25
See Lex

UK's underlying inflation is at lowest level for 27 years

By Gillian Tett, Philip Coggan and Peter Norman in London

The underlying rate of inflation in the *UK fell to its lowest level* for at least 27 years in September, providing a boost to the Conservative government. conference.

Unemploy*ment also fell for* the eighth consecutive successive month, bringing the numbers claiming benefit down to levels last seen in 1991.

Unchanged average earnings growth in August was a further pointer to the increasingly healthy nature of the UK's economic recovery. This suggested that pay settlements are not yet threatening to boost inflation.

The Treasury hailed the data as evidence that the country was now on course to achieve the unusual combination of steady growth with low inflation.

Although some analysts suspect the current low rate of inflation may not be sustained in coming months, Mr Eddie George, the governor of the Bank of England, suggested financial markets were being too pessimistic about the future.

The *Central Statistical Office* yesterday announced that the annual rate of retail price inflation, excluding mortgage interest payments, was 2.0 per cent in *September. The CSO said this is* the lowest annual rate for what the government considers "underlying" inflation since 1967.

The headline inflation rate also fell. *The annual growth rate* in the retail prices index, covering all items, was 2.2 per cent in September compared with 2.4 per cent in August. Last month's low price rise is likely to prove particularly significant for next month's budget, since September's index will form the basis for the rate at which state pensions and other benefits will rise.

The data were also welcomed in the City of London, which had forecast a slightly higher rate of inflation in September, following a surprise rise in inflation in August. Although inflation may rise later this year, reflecting tax increases and commodity price rises, yesterday's figures suggest that *the picture is benign.*

The overall figures were slightly flattered by volatile factors such as a dip in petrol prices. But price growth in most *retail categories remained* low.

Further data from the Department of Employment yesterday suggested that falling unemployment is not yet resulting in pres*sure for higher wages.*

The numbers claiming unemployment benefit fell by a seasonally adjusted 28,000 in September to 2.57m, or 9.1 per cent of the workforce, its lowest level since December 1991. However the underlying annual rate of average earnings growth was unchanged at 3.75 per cent in August.

Unemployment down 400,000, Page 8; Lex, Page 18; Bonds, Page 24; Currencies, Page 34; London Stocks, Page 29

Yeltsin sacks Dubinin

Continued from Page 1

would lay down strict policy conditions if asked to return, and would require the removal of sev*eral senior cabinet ministers.* Mr Andrei Vavilov, deputy finance minister, has also been named as a possible replacement as well as other conservative politicians.

Mr Gerashchenko, once labelled the "world's worst central banker" by the Harvard economist, Professor Jeffrey Sachs, has survived many attempts to oust him.

Mr Jannik Lindbaek, executive vice-president of the International *Finance* Corporation which acts as the investment arm of the World Bank, said yesterday that the currency crisis was unlikely to deter serious foreign investors. "In this sort of environment we must expect the currency markets to be volatile," he said.

Spielberg

Continued from Page 1

tainment group to Japan's Matsushita.

His Geffen Films subsidiary will become part of the new venture, as will Amblin Entertainment, Mr Spielberg's production company. Mr Spielberg, 47, will continue to direct for other companies but is expected to use the group as an outlet for his fascination with technology.

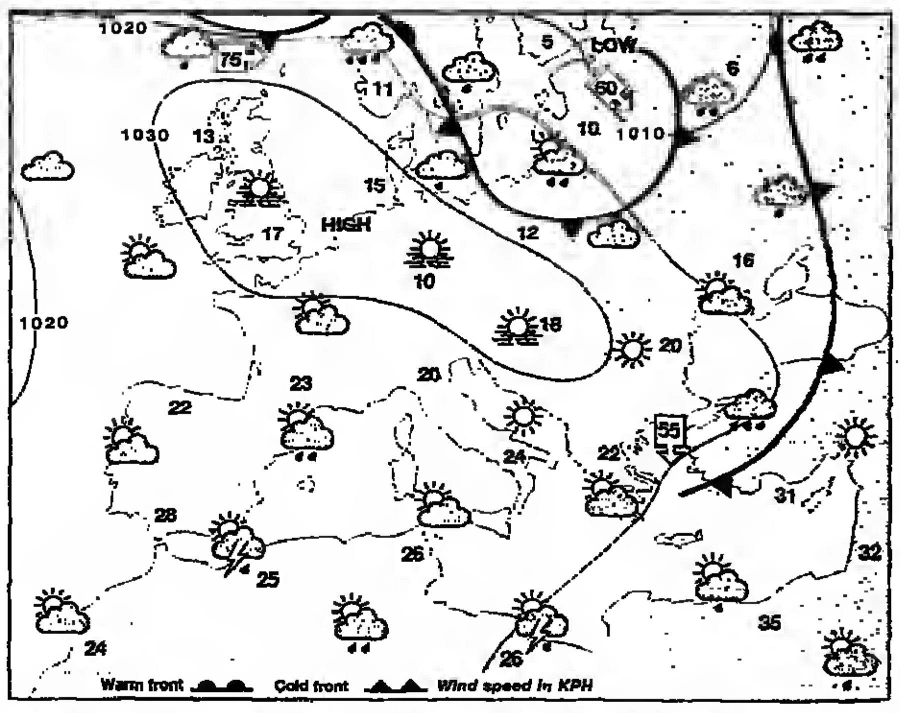
FT WEATHER GUIDE

Europe today

A ridge of high pressure from the British Isles towards the Alps will continue to promote calm and *fair conditions over the British Isles*, the Benelux, Germany, the Alps, Poland and the Balkans. There will be a lot of sun but frequent morning fog. France, Portugal and Spain will have sunny periods, but tha Pyrenees, the Costa Dorada and the Balearics will have recurrent showers. Italy and Greece will be mostly sunny. North-west *Turkey will* be *overcast with rain owing* to a frontal system over Russia and the Black Sea. Scandinavia and the Baltic states will be unsettled with gale force winds. Rain will be particularly heavy along the Norwegian coast.

Five-day forecast

As high pressure over the continent weakens, *cool air over Scandinavia and the Baltic* states will expand towards eastern Europe, causing falling temperatures. The stationary high pressure over tha North Sea will continue to give misty and calm conditions *over western and central Europe. The* Mediterranean will be sunny and warm. Southern Spain and Portugal as well as southern Greece and Turkey will have occasional thundery showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	19	Caracas	fair	32	Faro	fair	25	Madrid	fair	24	Rangoon	thund	30
	Celsius		Belfast	fair	15	Cardiff	hazy	16	Frankfurt	sun	17	Majorca	thund	24	Reykjavik	rain	8
Abu Dhabi	sun	34	Belgrade	sun	15	Casablanca	sun	24	Geneva	hazy	18	Malta	fair	26	Rio	fair	23
Accra	shower	32	Berlin	fair	15	Chicago	fair	18	Gibraltar	fair	23	Manchester	fair	18	Rome	sun	23
Algiers	cloudy	25	Bermuda	shower	27	Cologne	sun	17	Glasgow	sun	16	Manila	fair	33	S. Frsco	fair	18
Amsterdam	sun	16	Bogota	shower	20	Dakar	sun	29	Hamburg	fog	15	Melbourne	cloudy	17	Seoul	fair	23
Athens	fair	23	Bombay	fair	33	Dallas	sun	27	Helsinki	shower	6	Mexico City	cloudy	20	Singapore	cloudy	32
Atlanta	rain	17	Brussels	sun	16	Delhi	fair	33	Hong Kong	thund	30	Miami	fair	30	Stockholm	fair	11
B. Aires	fair	16	Budapest	sun	15	Dubai	sun	37	Honolulu	fair	32	Milan	hazy	20	Strasbourg	sun	18
B.ham	fair	16	C.hagen	fair	15	Dublin	hazy	18	Istanbul	shower	19	Montreal	fair	16	Sydney	fair	22
Bangkok	thund	32	Cairo	sun	35	Dubrovnik	fair	23	Jakarta	fair	34	Moscow	rain	7	Tangier	fair	25
Barcelona	shower	22	Cape Town	fair	22	Edinburgh	sun	18	Jersey	fair	19	Munich	sun	16	Tel Aviv	sun	34
									Karachi	fair	35	Nairobi	cloudy	28	Tokyo	fair	25
									Kuwait	sun	35	Naples	sun	24	Toronto	sun	16
									L. Angeles	fair	22	Nassau	fair	30	Vancouver	fair	14
									Las Palmas	sun	28	New York	sun	19	Venice	sun	20
									Lima	cloudy	22	Nice	fair	21	Vienna	sun	18
									Lisbon	fair	26	Nicosia	fair	32	Warsaw	hazy	12
									London	fog	18	Oslo	windy	14	Washington	sun	17
									Lux.bourg	sun	17	Paris	sun	21	Wellington	shower	14
									Lyon	fair	21	Perth	fair	17	Winnipeg	sun	7
									Madeira	fair	25	Prague	fog	14	Zurich	hazy	17

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THE LEX COLUMN

Submarines in BAe's sights

British Aerospace may be known for its metal bashing skills, but the finan*cial engineering involved* in yesterday's agreed bid for VSEL was first class. Most importantly, the deal, in effect a rights issue, would broaden BAe's narrow capital base. The addi*tional capital should bolster customers'* confidence that the group can handle large contracts without significant cash-flow problems. It should also help BAe make the scale of provisions against the troubled turboprop operations necessary for their eventual disposal. VSEL's £284m ($448.7m) cash would be a bonus.

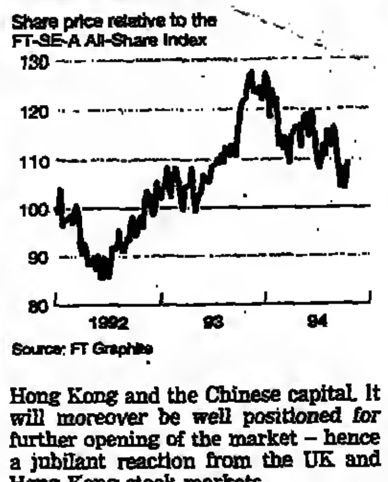
In earnings terms, the tax benefits would be particularly striking. BAe could offset VSEL's profits against its huge unused capital allowances, trading losses and ACT. These should drive BAe's tax rate down from 33 per cent to 25 per cent and make the acquisition earnings enhancing. Lastly, the additional consolidation would have the advantage of making a successful GEC bid for BAe less likely because of competition concerns.

The financial conjuring does not invalidate the industrial logic, though its validity would take longer to prove. In the short term, BAe admits it would struggle to maintain VSEL's profits in spite of the remaining Trident work. In the longer term, the new grouping would need prove its worth by win*ning contracts such as the second* batch of Trafalgar submarines. By linking the two groups, the chances of winning would be significantly enhanced. In spite of the financial and industrial logic of BAe's offer, the deal could yet be undone by GEC's offering a competing cash bid. If successful, that could leave BAe struggling to dispose of its turboprop business without a conventional rights issue.

FT-SE Index: 3100.5 (+27.5)

Cable & Wireless

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Cable & Wireless

The prospects for the Chinese telecommunications market can, appropriately enough, be described in terms of telephone numbers: at least $100bn to be spent between now and the end of the century and exponential growth in the number of telephone lines. In this context, Cable & Wireless's announcement yesterday about a possible $300m investment in two Chinese projects is drop in the ocean – but an important one none the less.

If the joint ventures come off, C&W stands to win a commanding position in the fledgling mobile telephones market in Beijing, and to capture the bulk of telephone traffic between Hong Kong and the Chinese capital. It will moreover be well *positioned for* further opening of the market – hence a jubilant reaction from the UK and Hong Kong stock markets.

However, the market reaction was driven more by sentiment than an assessment of what Hongkong Telecom – C&W's 57.5 per cent owned subsidiary – has so far achieved in its negotiations with China's telecoms authorities. The details of the contracts have still to be worked out and C&W's hopes of investing in China on the basis of profit-sharing may well be dashed. China has not definitively dropped its objections to foreign companies taking direct equity participation in the sensitive telecoms sector.

Still, the China connection is positive for C&W, which generated nearly two-thirds of its operating profits from Hongkong Telecom last year. But investors are more likely to want to buy shares in the Hongkong company direct. Long-term questions about C&W's future strategic orientation *remain, especially now that Mercury* is entering a low growth phase.

UK economy

Compared with the feverish anticipation surrounding Mr Kenneth Clarke's first UK Budget last year, this year's exercise has attracted remarkably little excitement so far. Perhaps that is because Mr Clarke has already been so emphatically dismissive of the prospect for tax cuts in the short run. Judging by the yesterday's "green budget" from Goldman Sachs and the Institute for Fiscal Studies, he has little room for manoeuvre anyway. Though the public sector borrowing requirement is falling faster than expected, it is all to do with the impact on spending of higher-than-expected growth and low inflation.

Unlike last year, when the government had to deal with a *surging* deficit, there is no urgent need for a change in the overall fiscal stance. While the pace of recovery remains uncertain there is little call for further tightening over and above what is already in the pipeline. Equally, premature relaxation could spill over into a deterioration in the payments deficit. The UK's unexpectedly strong trade performance this year has added powerfully to the impression that the recovery is sustainable.

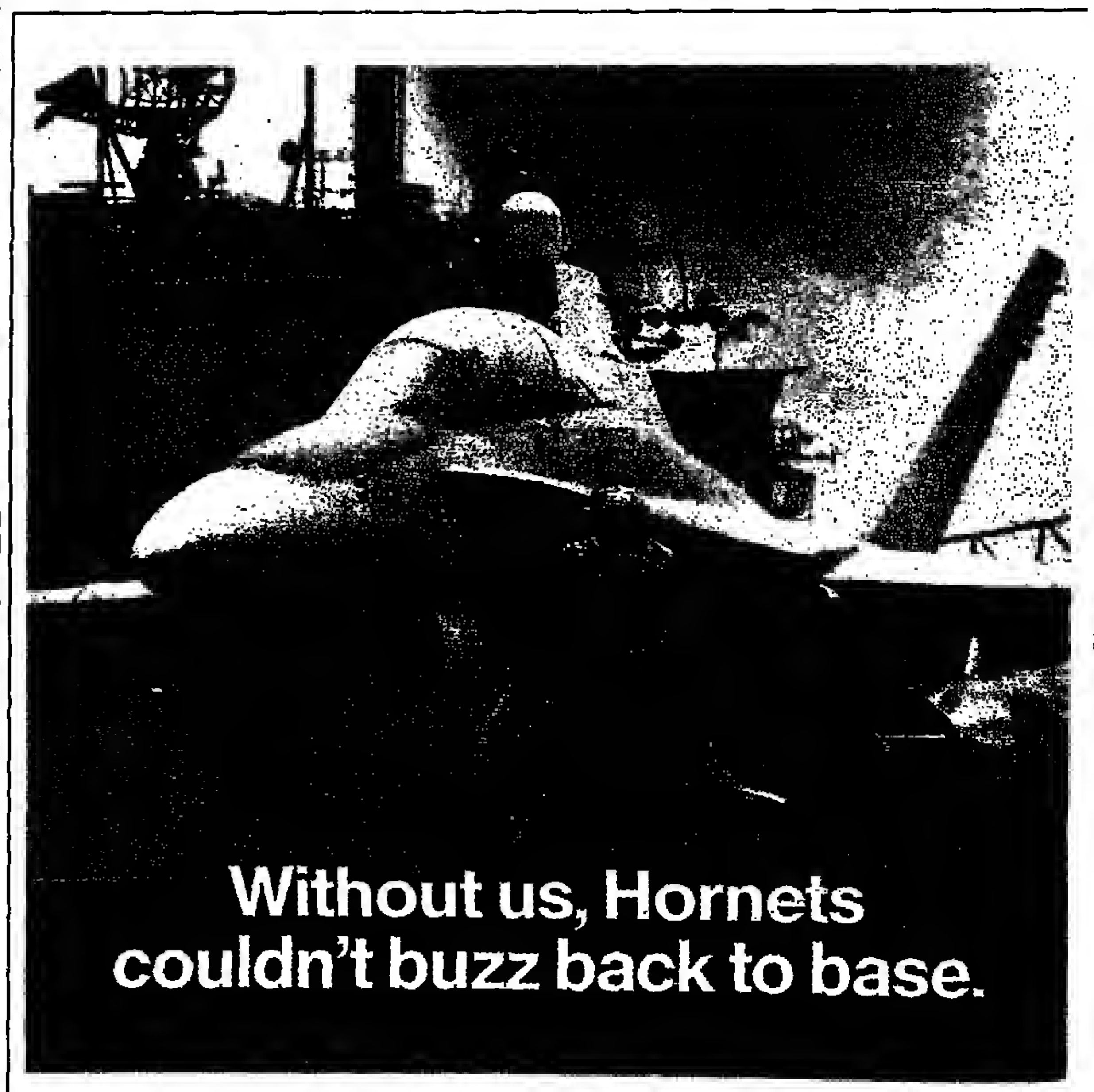
So if Mr Clarke does *want to make* a political splash with the Budget, it looks as though he will need to find a way of robbing Peter to pay Paul. An obvious possibility is freezing allowances to finance an increase in the 20 per cent tax band. But Mr Clarke's tax on insurance premiums last year also shows he enjoys *springing surprises.* The financial community seems to have fought off any serious attack on dividends but, given its unpopularity with the public at large, the financial *sector should not rest* entirely easy till after Budget day on November 29.

UAP

Union des Assurances de Paris' first set of post-privatisation results were frankly unimpressive. The 22 per cent fall in net *consolidated* profits, triggered by provisions for its continuing property problems, has significantly reduced the group's chances of achieving its promised 30 per cent profits *increase for the full year.*

Without earnings growth to support the shares, the market was left to worry about net asset value. But the collapse in bonds and equities, and continuing weakness of the property market, has made unrealised capital gains plummet. The market's concerns were reflected by a 5 per cent slump in the share price.

The implications of UAP's share performance for the French privatisation programme, and particularly AGF's share sale, are serious. Investors who bought UAP at privatisation in May are nursing a 13 per cent loss. The fact that the shares have only slightly underperformed the CAC-40 index *offers little comfort. If the losses begin* to affect retail investor confidence, the French treasury will be faced with the prospect of offering AGF at an even bigger discount to the market.



Over a thousand McDonnell Douglas F/A-18 Hornets put sting into the air defences of the United States, Canada, Australia, Spain and Kuwait – and more are now to come from the same nest.

That's good news for **Dowty Aerospace**, Toronto. Already supplier of the E/F version Hornet's nose landing gear in conjunction with Allied-Signal Aircraft Landing Systems, **Dowty** has now landed the contract for sole supply of this gear for the C/D version. With deliveries starting next year, things will really be buzzing in Ontario.

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COMPANIES & MARKETS

Thursday October 13 1994

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IN BRIEF

Anheuser-Busch seeks Czech ruling

Anheuser-Busch has increased pressure on the Czech government to decide the future of Budějovický Budvar, the Czech Republic's most famous brewer in which the US group is trying to take a minority stake. A dispute between the two brewers continues over the use of the Budweiser trademark. Page 23

IBM gets into shape
Mr Louis Gerstner, who took over as chairman and chief executive of International Business Machines 18 months ago, claimed yesterday he had succeeded in making the lumbering giant of the computer industry more fleetfooted. Page 22

Kone dips but expects gains over full year
Kone, the Finnish lifts group which on Monday agreed to buy Montgomery Elevator of the US for $280m, saw underlying profits dip slightly in the first eight months. Page 20

Nasdaq pricing row fuelled by study
A new twist has been added to the debate about pricing on the Nasdaq stock market. Four months after a US academic study claimed that dealers on the Nasdaq colluded to keep spreads between buy and sell prices unnecessarily wide, a second study by the same university professors has given the debate new impetus. Page 22

Audi to invest in Hungarian engine plant
Audi, the executive car division of Volkswagen of Germany, is planning to invest DM730m ($474m) in a new engine manufacturing plant in Hungary over the next five years. Page 22

TWA mounts restructuring campaign
Trans World Airlines, the US airline struggling to avert a financial crisis, yesterday started campaigning to win support for a sweeping financial restructuring that will nearly halva its debt. Page 22

Argentina returns to syndicated loans
Argentina has tapped the syndicated loan market for the first time in more than 10 years by signing an 18-month $500m credit with banks led by Credit Suisse and Chemical Bank. Page 24

Lloyds Chemists up with higher sales
Lloyds Chemists, the UK's second largest pharmaceuticals retailer, lifted both profits and turnover by 17 per cent for the year to the end of June, helped by large sales gains. Page 26

Gardner Merchant rises 14%
Gardner Merchant, the largest contract caterer in Europe, yesterday reported an increase of almost 14 per cent in interim profits. Page 25

Lotus returns to the black with £2m
Group Lotus, the UK sports car maker and engineering group taken over last year from General Motors by Bugatti International of Italy, yesterday announced its return to profitability. Page 25

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Goldschmidt TH	750	+	18
Mannesmann	413	+	18
Rheinmetall Bor	279	+	19
Schering	959	+	21
Falls			
Hochtief	990	-	20
Viag	487	-	10

NEW YORK ($)

Rises			
Apple	40⅝	+	1
IBM	72⅞	+	1⅛
Falls			
Farah	8¾	-	2
Intel	40⅜	-	1¼
Wellfleet Comms	22	-	1½
Weyerhaeuser	41⅞	-	1⅛

PARIS (FFr)

Rises			
Elf Sanofi	252.3	+	11.1
Eridania B-Say	767	+	30
Imetal	571	+	21
UFB Locabail	385	+	18
Falls			
Havas	418.5	-	18.4
Spie Batignolle	246.5	-	12.5

TOKYO (Yen)

Rises			
Jap Mill & Chem	550	+	44
M'bishi Bank	2820	+	70
M'bishi Chem	567	+	18
Nippon Steel	369	+	10
M'bishi Warehse	1810	+	50
Falls			
Kandenko	1820	-	50

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Amersham	985	+	52
Asprey	144	+	9
Border TV	183	+	14
Brit Aerospace	471	+	12
Brit Biotech	510	+	25
GRT Bus	224	+	9
Kode Intl	62	+	8
Laing (J) A	230	+	10
McAlpine (A)	224	+	13
Meyer Intl	401	+	23
Norcros	136	+	12
RMC	987	+	23
Radiant Metal	77	+	9
Securicor A	965	+	35
T & N	219	+	9
VSEL	1310	+	82
Vodafone	217	+	12½
Ward Hldgs	58	+	7
Waverley Mkg	92	+	11
Falls			
Coal Inv	118	-	20
Eidos	375	-	20
Matthew Clark	589	-	38
Rockwood	40	-	6
Taunton Cider	193	-	6

Japan's $2bn bank rescue breaks barrier

By Gerard Baker in Tokyo

Mitsubishi Bank, one of the world's largest commercial banks, yesterday announced a rescue takeover of the troubled Nippon Trust Bank. The deal is a move towards the consolidation of a Japanese banking sector crippled by bad debts.

Mitsubishi will become the first Japanese city bank, or commercial bank, to operate a full-trust bank subsidiary. It said it would buy Y200bn ($2bn) of new shares, giving it a 68.8 per cent stake in Nippon Trust from November 10. It is already the second largest shareholder, with 5 per cent.

Nippon Trust has been struggling under the weight of bad loans mada during the boom years of the late 1980s, when property and other asset prices rose sharply.

It acknowledged yesterday that non-performing loans, brought about by the subsequent decline of the property market, were now far higher than the official figure of Y130bn disclosed in May. Industry sources put the actual figure as high as Y500bn.

Nippon Trust plans immediately to write off Y200bn of those loans, producing a collapse in profits in the current fiscal year, according to its president, Mr Tomoaki Hirano.

In the year to March 1995, it would record a net loss of Y163bn, the first post-tax loss in Japanese banking history, against a profit of Y1.7bn last year. "We have come to the conclusion that asking for outside help is the only way we can survive," Mr Hirano said. With Mitsubishi'e assistance, the trust bank plans a three-year reconstruction programme involving up to 25 per cent cuts in staff and other costs.

The rescue was approved by the Ministry of Finance when it became clear that Nippon Trust's net liabilities exceeded its capital, according to ministry sources. Officials said the ministry would allow Nippon Trust Bank to continne full operations as a trust bank because of those "exceptional circumstances".

The ministry last year changed banking regulations to allow city banks to establish trust bank subsidiaries. But the new rules prevent city banks from operating some of the most profitable aspects of trust banking business such as pension fund management and loan trusts.

The decision is likely to create concern among banks that Mitsubishi has been handed an unfair advantage. Most city banks are planning to establish trust banks next year. Unlike Mitsubishi, they will be severely constrained under the new rules.

Trust banks are also understood to be unhappy, since Mitsubishi Bank can now be expected to eat into their core business. Mitsubishi's share price rose by more than 3 per cent on the news of the merger.

Mr Tsuneo Wakai, Mitsubishi's president, said it had agreed on the rescue after considering the need to maintain confidence in the financial system, as well as its long-term relationship with Nippon Trust and a desire to enter the trust banking business.
Background, Page 23

Bernard Gray considers the battle for a British submarine maker in the context of a wider conflict

BAe's VSEL bid may face GEC counter

Fortunes of war: British Aerospace's Dick Evans and GEC's Lord Weinstock control the board as the UK defence industry shrinks

Britain's General Electric Company is seriously considering making a cash offer for VSEL to counter an agreed all-share bid for the submarine maker launched by British Aerospace yesterday. GEC has asked Morgan Grenfell, VSEL's adviser, for information made available to BAe during negotiations. GEC is entitled to do this under UK takeover rules if it is seriously considering a counterbid.

BAe's £478.5m ($756m) agreed bid values each VSEL share at approximately £12.60. BAe has offered 2.747 of its own shares for each VSEL share, with a cash alternative offer of £11.40.

BAe is interested in VSEL because it wishes to extend its interests in shipbuilding, applying the project management skills it has developed in aircraft to other military businesses.

GEC already owns the Yarrow shipyard on the Clyde which makes most frigates for the Royal Navy. It wants to buy VSEL to increase the amount of business it does as a project manager, rather than acting as an electronics subcontractor to BAe.

Both companies have their eye on the £2.5bn contract to build the next generation of five Trafalgar class nuclear submarines, and the £500m contract for marine landing ships which would be built at VSEL in Barrow in north-west England. They are the largest naval contracts likely to be placed until the £6bn new generation frigate comes on stream in 2002.

GEC would face competition difficulties from Britain's Ministry of Defence if it bid for VSEL because it would then own the two large warship yards left in the UK. The Royal Navy is thought to be particularly unhappy at the thought of one company owning both yards.

Mr John Weston, chairman of BAe's defence subsidiary, said yesterday thet companies bidding for naval work needed a warship manufacturing yard to be credible with potential buyers, including the Ministry of Defence. BAe does not currently own a yard.

Buying VSEL has strong financial attractions for BAe. VSEL's large cash pile would cut BAe's gearing to 10 per cent and increase BAe's assets from £1.06bn to £1.33bn. Tax advantages mean that VSEL's profits would also increase BAe's earnings substantially. GEC, however, can offer cash. Including money in joint ventures, it has almost £3bn in cash.

The number of UK defence contractors is shrinking rapidly, and the choices left to companies wishing to merge and cut their costs are narrowing fast.

Competition over any defence company up for grabs is likely to be fierce. BAe would apparently have liked to buy UK helicopter maker Westland when GKN bid earlier this year, had GKN not started with an almost unstoppable shareholding.

Now the attention has switched from air to sea systems. BAe wants to be the project manager which controls the key contracts in ships as well as aircraft. GEC, tired of its role as a supplier to BAe, is keen to expand its naval presence and become a larger full-scale project manager in its own right.

But other small defence contractors are on their guard. There is a great deal of common ground between the mid-life refitting of nuclear submarines, which will soon be done exclusively at Devonport in Plymouth, and their original construction. It would make sense for whoever owns VSEL to own Devonport, which is due to be privatised over the next 18 months.

Land systems – tanks and armoured personnel carriers – are also spread out among a wide range of companies and could well be rationalised too.

Some deals may seem to create etrange bedfellows. Yet in the absence of pan-European mergers, companies are having to find their savings where they can. Several of the large US deals, most notably Lockheed's merger with Martin Marietta, has also brought together companies which have little in common save their defence interests.

Savings on central overheads and the ability to manage defence contracts and ministries skilfully are the strongest arguments in favour of the deals. The alternative of remaining independent is almost certainly worse.
Editorial comment, Page 17; Lex, Page 18

Bankers Trust retaliates in $20m derivatives loss case

By Richard Waters in New York

Bankers Trust yesterday hit out against a claim that it was responsible for losses of $20m suffered by a customer arising from derivative instruments.

In papers filed in the district court in Cincinnati, the US bank claimed that it had fully briefed executives of the company, Gibson Greetings, on the risks associated with the instruments.

Gibson, which lost $20m on interest rate swap contracts it bought from Bankers Trust, claimed in a suit filed last month that the bank had misled it about the risks. The bank said yesterday that Gibson had bought the derivatives with full knowledge of how they would behave if the markets moved against the company.

Gibson rejected offers from Bankers Trust on 10 separate occasions to end the contracts, a move which would have limited the company'e losses, the bank added.

The case is being seen as a test of whether corporate treasurers can claim to have been unsuspecting victims when complex financial instruments they buy turn sour. Procter & Gamble, which earlier this year lost $157m on interest rate swaps it bought from Bankers Trust, has yet to file a suit but said last month it was watching the Gibson case with interest.

In its defence, Bankers Trust said it had not acted as an adviser to Gibson, and the company mada its own decisions about tha risks.

The bank said it had been informed that Mr William Flaherty, the company's chief financial officer, had consulted with Gibson's board before entering the two swap contracts which the company was trying to repudiate.

"Gibson knew that it was taking a position as to the direction that interest rates might move and that [it] would suffer losses if its predictions were wrong," according to the court papers. The losses arose as US interest rates rose, rather than falling.

● Gibson came under attack yesterday from accountants Arthur Andersen, sacked as the company's auditor last month. Andersen said there had been a "deliberate attempt" by Cleo, a Gibson subsidiary, to inflate the company's pre-tax income by over-stating the value of inventory. The company was not immediately available for comment.
Derivatives column, Page 22

UK insurer may buy Thai stake

By Norma Cohen, Investments Correspondent, in London

Prudential, the UK's largest lifa insurance company, is holding talks about its first significant acquisition in the Asian insurance market, a 24.9 per cent stake in Thai Sethakit Life Assurance.

T.S. Life is the second smallest of the 12 Thai insurance companies and has a market share of about 1 per cent. Its market capitalisation is $58.46. Rules in Thailand do not allow Prudential to acquire a stake of more than 25 per cent in T.S. Life.

Morgan Grenfell Thai Company, financial adviser to TS Life, said existing shareholders have provisionally agreed to eell their shares at Bt65 ($2.60) each and that the sale should be completed in November this year.If the deal is completed, Prudential will provide T.S. Life with technical support, international expertise, naw product development, computer systems, training, marketing and management skills.

T.S Life said the Thai insurance market has experienced recent growth of over 20 per cent a year. "With increasing pressure to liberalise the Thai insurance market, we believe T.S. Life is now well positioned to compete with new foreign entrants to the market and to expand as the market develops," it said.

Prudential'e chief executive, Mr Mick Newmarch, has identified Asia as one of the key growth areas for the company. Most of its expansion in the region to date has been through organic growth of long-standing operations in Australia, New Zealand, Hong Kong and Singapore. Prudential has also begun participating in the Malaysian insurance market.

Last year, Prudential opened an investment manegement office in Hong Kong to handle regional investment activities. It has also opened three representative offices in China as the first step towards obtaining licences to sell insurance products there.

According to the Prudential'e annual report, Asian activities are providing the some of the most rapid growth of all its operations. New premium income from Hong Kong in 1993 rose 43 per cent from the 1992 level, while that from Singapore rose 18 per cent.

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Ebner denies seeking control of Swiss bank

By Ian Rodger in Zurich

BK Vision, the largest shareholder in Union Bank of Switzerland, has denied UBS charges that it is trying to take control of the bank and close its large retail business.

UBS has called an extraordinary shareholders' meeting for November 22 to approve its plan to convert the bank's registered shares into bearer shares, thereby eliminating their extra voting power.

BK Vision, an investment company controlled by Mr Martin Ebner's BZ banking group, holds more than 18 per cent of the registered shares.

If the board motion succeeded, the premium on the registered shares, now more than 20 per cent on the bearer shares, would disappear. This would result in large losses for registered shareholders.

Mr Ebner said BK Vision could not gain control of the bank because of restrictions limiting individual registered shareholders to voting a maximum of 5 per cent of the voting capital. He denied UBS charges that he was putting together a concert party of shareholders.

However, he believed that a majority of UBS shareholders could soon be attracted to BK's ideas for managing the bank.

Last spring, BK won 40 per cent of the votes at the UBS annual meeting for its motion to reduce the number of directors from 22 to a maximum of nine. Mr Ebner said most of the votes against him were proxies held by the board, providing grounds for his optimism on future motions.

He described charges that BK wanted UBS to abandon its retail banking business as "grossly overblown". The bank needed a strong refinancing base in Switzerland for its investment banking business.

BK's aim since its formation in late-1991 was to to make UBS more sensitive to shareholder interests, notably a higher return on equity.

It was disappointed with the results to date and with the board's negative reaction to its suggestions. BK opposed the elimination of the registered shares and would demand that registered shareholders have the right to vote separately on the motion. UBS claims that a two-third majority of all votes and a simple majority of the capital would suffice.

Mr Ebner said there were several avenues of legal action open to BK if the UBS board's plan to eliminate the registered shares carried at the EGM.

Postipankki sinks deeper into the red

By Hugh Carnegy in Helsinki

Postipankki, the state-owned Finnish banking group, yesterday reported sharply deeper losses in the first eight months compared with the same period last year as falling income from financial operations and rising costs eclipsed a promising decline in credit losses.

Operating losses mounted to FM463m ($85.7m) compared with a loss of FM66m in the first eight months of 1993. Mr Seppo Lindblom, chief executive, said the result was worse than expected and warned of further losses.

Net income from financial operations tumbled by FM361m to FM1.42bn due to lower-than-anticipated returns from treasury operations. The bank said it was "not entirely successful" in predicting domestic and international market trends and had incurred heavy bond trading losses. These included a FM237m loss on Finnish government bonds for which Postipankki is a market maker.

Group expenses jumped to FM1.85bn from FM1.43bn mainly due to costs associated with Postipankki's takeover in 1993 of a one-fourth share of the Savings Bank of Finland.

Kone dips but expects gains over full year

By Christopher Brown-Humes in Stockholm

Kone, the Finnish lifts group which on Monday agreed to buy Montgomery Elevator of the US for $280m, saw underlying profits dip slightly in the first eight months. However, it expected full-year figures to be higher than in 1993.

Group income after financing items amounted to FM167m ($31m), against FM192m a year earlier. The 1993 figure included a FM21m currency exchange gain.

Kone said comparisons with last year were distorted by a 9 per cent strengthening in the Finnish markka and the sale of a number of non-core operations.

Sales in the latest period were FM4.8bn, just under last year's level allowing for divestments and currency factors.

Operating profits fell to FM205m from FM299m but the impact was offset by a sharp reduction in interest costs to FM53m from FM145m.

Mr Gerhard Wendt, president, said the important European market remained sluggish, as improving areas were balanced by those in recession.

New elevator orders and maintenance contracts were 4 per cent higher on an underlying basis at FM3.54bn. The group saw higher orders from the UK, Germany, Italy and Australia but there were declines in Sweden, Finland, France and Belgium. The group expected new orders for the full year to equal last year's FM5.71bn.

The group has tried to lift operations in Asia and build up the maintenance side of its business. At the end of August it had 363,000 units under maintenance.

Kone has sold its cranes unit, a wood unit, and MacGregor-Navire, a supplier of shipboard handling equipment, since the end of August 1993.

These helped reduce the interest-bearing debt to FM400m at the end of August from more than FM1bn at the end of 1993 and strengthened the financial position.

Telecom Italia fights ruling on Telsystem

By Andrew Hill in Milan

Telecom Italia, the Italian telecommunications operating company, is to appeal against a court ruling earlier this week, forcing the group to open its network to increased competition.

Telecom Italia said yesterday it favoured liberalisation of the sector, but only if properly co-ordinated.

Milan's appeal court ruled on Monday that Telecom Italia had to provide leased lines for Telsystem, a small Italian company seeking to sell telecoms services to businesses, in competition with the main Italian operator.

Telsystem had argued that without such a provision, it risked going bankrupt, because Telecom Italia had not leased sufficient lines to construct a "virtual" network for its clients.

The ruling is a temporary injunction, pending a decision on the case by Italy's anti-trust authority on the substance of the case.

In theory, it is only a substitute for EU rules on the liberalisation of telecom services, which were supposed to come into force throughout the Community at the end of 1990, but have yet to be enacted by Italy. However, according to Telsystem and its advisers it is a big step forward for those who want to see Telecom Italia's monopoly broken up.

Ms Alessandra Perrazzelli, of Brosio, Casati e Associati, the lawyer representing Telsystem, said yesterday: "Of course, what we want is to win the anti-trust case. But the importance of this ruling is two-fold. The court is telling Sip [the domestic telephone monopoly] it can not go on with the monopoly on lines, but [the ruling] is also very important because it says you don't only have to give leased lines now, you have to give them in the future."

However, Mr Umberto Silvestri, chairman of Telecom Italia, said last night that under the current state of Italian law "there is no doubt that we have a legitimate monopoly".

If upheld, the ruling could add to the pressure on Telecom Italia and its state-controlled parent company, Stet, which are already attempting to manage a difficult programme of change.

The fusion earlier this year of five telecoms operators, including Sip, to form Telecom Italia was part of this programme.

The Italian authorities are now preparing for the sale of their outstanding shares in Stet, which should take place next year.

At the same time, Telecom Italia is having to adapt swiftly to the 1998 deadline set by the Community for opening up ordinary telephone calls to competition.

Between 1992 and 1998, Telecom Italia is set to spend more than L50,000bn ($31bn) on investment, which includes modernising the Italian network for the coming multimedia technology.

At the same time, the group must continue to rebalance its tariffs to fall in line with international competition. Mr Silvestri estimates that domestic telephone charges in Italy will have to rise by 25 per cent, while international charges – among the highest in Europe – may have to fall by about the same amount.

More urgently, Italy's state telecoms companies are searching for a partner, to give themselves a place alongside other European competitors, such as France Telecom and British Telecom, many of which have struck defensive deals with global operators such as AT&T of the US.

Mr Silvestri says the search for a global alliance is a priority, and adds that Telecom Italia is negotiating with "three or four" companies. "We have to find a medium-sized operator – not large, because we don't want to be choked," he says.


Umberto Silvestri: 'we have a legitimate monopoly'

He is hoping the form of Stet's privatisation will be decided soon, because uncertainty could delay the conclusion of such talks.

Advisers to the sell-off should be named shortly, and the government will have to decide, with their assistance, whether and how to limit foreign control of Stet, for example, by retaining a golden share, or forming an Italian-dominated hard core of investors.

Telecom Italia's second priority, according to its new chairman, is to adapt a bureaucratic management to the forthcoming changes.

"Our managing class is very high-calibre, but it's a class which has managed a monopoly for 60 years," says Mr Silvestri, himself a long-serving executive in the state sector. "Between 1994 and 1998, we have to change the culture: a large company has to become a competitive company."

In this respect, this week's decision by the Milan court of appeal could provide an incentive to accelerate those changes, even if the business represented by leased lines only represents an estimated 5 per cent of Telecom Italia's total domestic turnover.

Amec stake in Portugal sold

By Peter Wise in Lisbon and Andrew Taylor in London

Amec, the engineering and construction group, has sold its stake in Engil, a Portuguese construction group, for Es2.7bn ($16m). The UK group joins other international constructors, including Bouygues of France, in pulling out of joint ventures in Portugal.

Amec recently sold its 20 per cent stake in French construction group Serete for £11.3m ($17.85m) to the company's management. The sales are part of a reassessment by the UK group of the suitability of its minority stakes in continental European companies.

Minority stakes in domestic and cross-border rivals are popular in countries such as Germany, France and the Netherlands. However, they are generally considered unattractive in the UK and Italy, where companies prefer to have majority control in subsidiary interests.

Matthew Clark takes over Gaymer Group for $172m

By Christopher Price in London

Babycham, Olde English Cider and Concorde British wine, three of Britain's best-known drinks brands, were yesterday sold as part of the £109m ($172.22m) takeover of Gaymer Group Europe by Matthew Clark.

The move will give Clark, which boasts Warninks and Stones Ginger Wine among its own brands, a near 50 per cent share of the domestic fortified wine market through the merger of its Old England products and Gaymer's QC range. The company said it believed there would be no referral to the Office of Fair Trading.

The deal is to be funded through a rights issue, Clark's third in 18 months, in a move which will more than double its share base to 45.8m shares.

The 3-for-5 issue at £5.00 a share will raise £64.4m in cash, most of which will be used to pay off Gaymer's £53.5m of debts. Clark shares yesterday closed down 36p at 589p.

The £55.6m balance of the purchase price will be paid through the issue of Clark shares to the venture capital investors, who represent around 94 per cent of the shares.

Gaymer made pre-tax profits of £8.1m in the year to February 28 against £8.6m the previous year. Turnover rose from £135.7m to £143.3m. For the year to the end of July, Clark made profits of £10.3m on turnover of £174m.

Gaymer, which was subject to a £105m management buy-out two years ago, had been expected to float on the stock market later this year, and yesterday's move took industry analysts by surprise.

Mr Michael Cotterill, chairman of both Taunton and Matthew Clark, yesterday resigned from his post at Taunton, citing a conflict of interest.

SGS profits rise by 5.5%

By Ian Rodger

Société Générale de Surveillance (SGS), the world's largest inspection and testing group, said its pre-tax profits in the first eight months were up 5.5 per cent on a 3 per cent rise in fee income.

Mrs Elisabeth Salina, chairman of the Geneva based group, said operating profits should continue to show "satisfactory growth" in the full year, although net income would rise to a lesser extent. No figures were given.

In the first eight months, fee income was up 10.5 per cent, expressed in local currencies, of which 8 per cent came from internal growth. Fee income rose 9.2 per cent in Europe and 18.4 per cent in North America.

The operating margin was in line with the 9 per cent achieved in the whole of 1993. Net income rose in spite of lower financial revenues and a SFr10m ($7.70m) provision for unrealised losses on securities.

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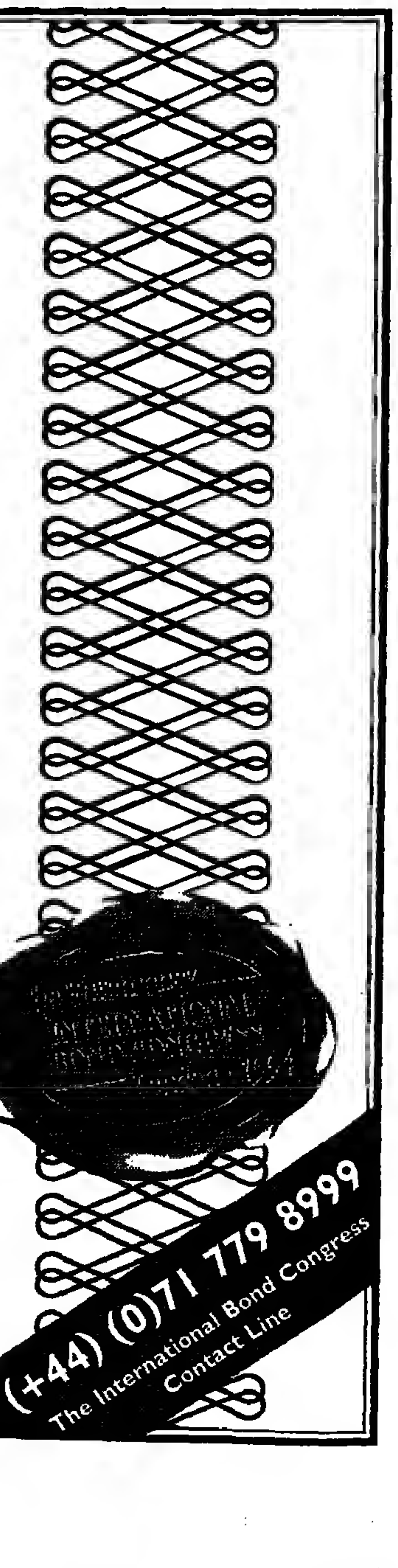

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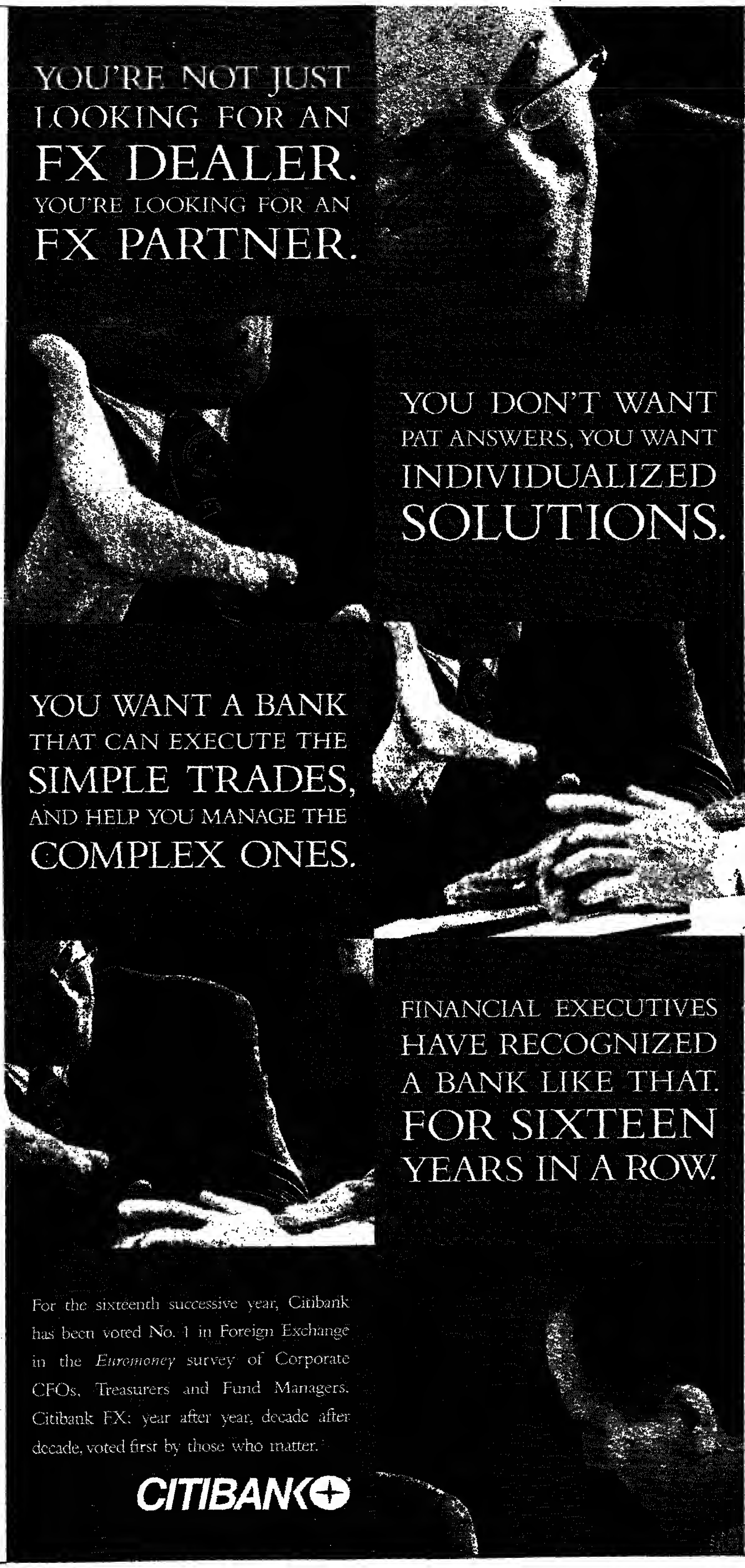
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Gerstner sees progress from IBM shake-up

By Louise Kehoe in San Francisco

Louis Gerstner: confirmed discusstons with Apple

Mr Louis Gerstner, who took over as cbairman and chief executive of International Business Machines 18 months ago, claimed yesterday he had succeeded in making the lumbering giant of the computer industry more fleetfooted.

"The elephant is dancing," Mr Gerstner said, "but it is not going to be in a Fred Astaire movie too soon".

Answering questions at his first European press conference since taking charge of the ailing US computer manufacturer last year, Mr Gerstner said one of his main tasks was to speed up the responsiveness of the company.

"I think we have made a lot of progress," he said, but added that "18 months is not a very long time and this process will take longer".

Next week, IBM will report its third-quarter results and Wall Street analyats are expecting the company to continue its progress with earnings of around 90 cents a share, compared with an operating loss of 12 cents a share in last year's third quarter.

The IBM chairman declined to comment on persistent speculation that the company may take an equity stake in Apple Computer. But he confirmed that IBM has "ongoing discussions with Apple in the areas where we have very important joint activities". These include joint development of PowerPC microprocessors and two software joint ventures.

Mr Gerstner said IBM had a continued commitment "to be the basic foundry" of the computer industry, but too often it had developed new technology only to see competitors exploit it more quickly. "There have been many examples where otber companies have exploited that technology faster than IBM."

He said IBM expected to ship personal computers based on the PowerPC microprocessor, jointly developed with Apple Computer and Motorola, in the first quarter of next year. Apple and Motorola are already selling PowerPCs.

On the restructuring, tbe IBM chairman said progress in Europe towards meeting competitive cost levels was ahead of schedule and that the group as a whole was on target to reduce its worldwide workforce to 215,000 by year-end.

Asked if be was satisfied with IBM's ahare of tbe PC markat, which has fallen to about 10 per cent from about 14 per cent over the past year, he acknowledged that IBM had had some problems.

He said that these included failing to accurately forecast demand for some products. In the US, orders for IBM's new Aptiva PCs, introduced last montb, were running far ahead of production plans.

Mr Gerstner said IBM also faced product shortages in its latest data storage products and in mainframe computers, where the company had been unable to keep up with customer demand. He said some IBM managers migbt have been too conservative in forecasting demand.

Study makes new claims of Nasdaq collusion

Allegations that dealers conspired on prices give fresh impetus to legal action, says **Patrick Harverson**

A new twist has been added to the debate about pricing on the Nasdaq stock market. Four months after a US academic study claimed that dealers on the Nasdaq colluded to keep spreads between buy and sell prices unnecessarily wide, a second study by the same univarsity professors has given the debate new impetus.

Tha National Association of Securities Dealers (NASD), whicb runs the screen-based Nasdaq market, vehemently rejected the claims in the first study – but this time it is refusing to comment.

Reticance is probably well-advised, because the issue is at the centre of a legal battla that could culminate in some of Wall Street's biggest firms paying out millions of dollars to investors.

When the first study on spreads was published in May by Mr William Christie of Vanderbilt University and Mr Paul Schultz of Ohio State University, it prompted the filing of scores of class action lawsuits against the Wall Street firms which act as dealers on Nasdaq.

The lawsuits alleged that collusion between the dealing firms to keep spreads wide deprived investors of the best possible price on share trades and violated US anti-trust laws.

Wide spreads are regarded as bad for investors because they deny them the opportunity to pay a little less when buying a stock or receive a little more when selling. For dealers, the wider the spread, the bigger the profit they make.

The lawsuits relied heavily on the findings of the Christie-Schultz study, but now lawyers have more ammunition to use against the Nasdaq dealers as the second study, by the same two authors plus another Ohio State finance professor, Mr Jeffrey Harris, claims to beva found fresb evidence of collusion.

While the first report said the dealers had been conspiring for years to keep spreads wide, the new study says dealers have since colluded to narrow their spreads.

According to the three professors, within daya of tbe study's publlcetion in May ettacking dealers for the wide spreads, Nasdaq dealers narrowed the spreads they quoted on some of the market's biggest stocks, including auch well-known companies as Microsoft, Intel and Apple Computer.

More specifically, the professors claim that whereas before the first study, dealers invariably quoted their buy and sell prices in even-eighths of a dollar – $¼, $½, $¾, or a whole dollar – the day after newspapers reported the study's critical findings dealers bagan quoting prices in the long-neglected fractions of odd-eighths, such as $⅛ and $⅜, as well as even-eighths.

For example, before the first etudy was released dealers would quote investors $50½ if they wanted to buy a company's stock and $50¼ if they wanted to sell. After the study was publicised dealers would quote $50⅜ to buy and $50¼ to sell – a spread of only $⅛, compared with $¼ before.

After the first study was reported on May 26, the change in spreads was sudden and dramatic, says Mr Cbristie. "Starting from May 27, marketmakers began using odd-eighths en masse. There was a complete switch."

And it was not just a case of a few firms using quotes of odd-eighths. For each atock they looked at, says Mr Christie, "there was a minimum of 40 marketmakers, and some stocks had over 60". These firms, he claims, had not used odd-eighths in years. "Suddenly, tbey all started using them."

When asked what conclusion could be drawn from the dealers' actions, Mr Christle responds: "Cynically, you could say that it was good of Paul [Scbultz] and I to remind them that they had these odd-eighths available."

Alternatively, he says the fact that they all moved at once suggested the change had been co-ordinated. "Our evidence suggests spreads narrowed because an implicit agreement among marketmakers to maintain spreads of at least $¼ was abandoned."

Althougb the professors imply that the dealers colluded to narrow spreads because of publicity surrounding the original study, they nevertheless walcome the resultant cnst savings to investors. They calculated that after the shift to narrower quotes using odd-eighths, investors' transaction costs declined by 40 per cent to 50 per cent.

When Mr Christia and Mr Schultz published their first findings in May, tba NASD said there was no evidence of collusion between dealers and argued that what investors lost through wider spreads, they gained in the guarantee of liquidity afforded by the multiple dealer system.

If spreads were narrower, the NASD said, dealers would find it harder to make a profit and some would be forced to abandon making a market in stocks. The subsequent reduction in liquidity would only harm investors.

This argument, however, appears to have been undermined by tbe second study, whicb found that after dealers started using odd-eighth quotes and effectively halved the size of spreads, the number of marketmakers in each stock did not decline.

The second study threatens to greatly embarrass tbe NASD greatly because for its findings strike at the heart of the very structure of the Nasdaq syatem, which the NASD trumpets in television advertising as "the stock market for the next 100 years". Under the system, investors are meant to get the best price service because competition among multiple dealers for orders should keep spreads narrow.

There is little doubt that the new study will be used by lawyers in tbe coses that bave been filed against several Nasdaq dealers.

Although it is still early in the legal process, lawyers involved in the class action suits estimate the damages that will be sought from dealers by disgruntled investors could be os mucb as $100m for every trading year.

Weyerhaeuser's profits disappoint Wall Street

By Laurie Morse in Chicago

Continuing strength in timber prices and rebounding pulp and packaging markets boosted Weyerhaeuser's third quarter earnings, but the profits jump fell sbort of Wall Street's expectations, pushing tbe company's stock price down $1⅜ to $41⅛ in early trading yesterday.

Weyerhaeuser, the world's largest private owner of saleable softwood timber, reported third-quarter earnings – before extraordinary cbarges – of $144m, or 71 cents a share, compared with income of $67m, or 32 cents, a year earlier. Sales for the quarter were $2.68bn, up from $2.22bn.

Analysts had expected Weyerbaeuser to earn about 77 cents a share in the quarter.

For the year to date, Weyerhaeuser earnings total $399.8m, or $1.95, on sales of $7.6bn, compared with $477m, or $2.33, on sales of $6.9bn for last year's corresponding period.

The company's pulp, paper and packaging arm saw operating earnings jump to $63.5m in the quarter, from a mere $2.5m in 1993's third quarter. Weyerhaeuser's big forest product division's operating earnings rose to $246.1m, from $165.8m.

"The company continues to realise steady improvements in earnings as the momentum in the recovering pulp, paper, and packaging markets continues," Mr John Creighton, president, said.

"At tha same time, our timberlands and wood products performance remains strong in apite of increasing interest rates. While it appears that bousing starts in the US have peaked, we are in the early stages of the economic recoveries in Europe and Japan which bodes well for continued strengthening in our pulp and paper businesses."

Weyerhaeuser is the second big US forest products company to fall sbort of analysts' estimates this quarter. On Tuesday, International Paper's stock fell after it announced that third-quarter profits had jumped 47 per cent.

Deloitte and Touche sued for $250m

By Tony Jackson in New York

The US management consulting arm of Deloitte and Tonche, the world's fifth biggest acconntancy firm, is being sued for $250m.

Figgie International, e struggling Ohio-based gronp, alleges thet Deloitte failed in its promise to install a world class manufacturing programme for the company.

While it is not uncommon for accountancy firms to be sued, it is very unusual in the case of management consnltants.

Figgie says that over a three-year period beginning in late 1990, Deloitte promised "to develop and transfer tecbnologies tbet would improve manufecturing throughpnt [and] decrease inventory levels". It claims to have paid Deloitte fees and expenses of over $22m, and to bave been billed for e further $33m.

In the event, Figgie moved from a net profit of $63m in 1989 to a loss last year of $139m. Having breached financial covenants, it was forced into a financial restructuring this summer.

Figgie's business ranges from electronic syatems and materials handling equipment to insurance, sports goods and real estate.

Figgie says "the consulting firm at various times misrepresented to Figgie the progress and achievements of the world class manufacturing projects it designed and implemented".

It also claims Deloitte failed to staff tbe projects witb professionally competent personnel.

TWA mounts restructuring campaign

By Richard Tomkins in New York

Trans World Airlines, the US airline struggling to avert a financial crisis, yesterday started campaigning to win support for a sweeping financial restructuring that will nearly halve its debt.

Late on Tuesday, TWA announced a rescue plan under which creditors are being asked to swap $800m of the company's $1.8bn debt for new equity, taking tbeir stake in the airline from 55 per cent to possibly 70 per cent. Employees, who now own 45 per cent of the airline, would see their stake diluted to as little as 30 per cent.

If the rescue plan succeeds, TWA believes it will be able to survive the lean winter months and return to profitability next year.

If it fails, the airline will almost certainly have to file for some form of bankruptcy protection again.

TWA, once one of the world's biggest and best-known airlines, last went into bankruptcy protection in 1992, weighed down by debt from a leveraged buy-out.

It emerged from a chapter 11 reorganisation in November last year, but has not made a profit since.

Earlier this year, most of the airline's senior executives were replaced.

Since then, many unprofitable routes have been axed, the airline's Atlanta mini-hub has been closed, 3,000 jobs cuts have been announced, and the airline's labour unions have egreed to productivity increases worth $130m-$140m a year.

Yesterday Mr Robert Peiser, chief financial officer, blamed TWA's present financial difficulties on over-optimistic revenue assumptions by the previous management. When the expected revenues failed to emerge, he said, the airline had found itself unable to cover its costs.

The new management, Mr Peiser said, had changed strategy by concentrating on costs. "Our revenue forecast for next year is about flat with this year, and yet we see substantial profitability because of the cost savings we already have in place."

TWA's problem is that all its credit facilities are drawn and it has insufficient cash to pay its debts. If it is to stave off looming bankruptcy, it has to persuade its creditors to swap their debt for equity.

Some analysts question whether creditors holding debt secured on the airline's assets would be prepared to take such a risk.

But to address this difficulty, TWA is proposing to treat the various classes of debt-holders differently, asking those with the least secured debt to take the most equity.

The proposal is backed with a threat, too. TWA says that if some creditors do not agree to the restructuring, it will file a pre-packaged bankruptcy plan - one reacbed with the prior consent of some creditors - whicb would be aimed at impairing the rights of those who beld out against the restructuring.

"It would be a tactical strike, a narrowly-focused option targeted at those people who did not co-operate," Mr Peiser said.

TWA would nevertbeless need the support of at least two thirds of its creditors before it could file sucb a plan. Over the next few weeks, it will be campaigning hard in an attempt to secure it.

UAP shares slide in wake of results

By Ralph Atkins

Sbares in Union des Assurances de Paris, one of France's largest insurance group, fell sharply yesterday after it posted figures indicating the impact of turbulent bond and equity markets on its assets had been worse than expected.

UAP shares dropped FFr6.80 to FFr131.70 following publication of results late on Tuesday sbowing consolidated profits down 22 per cent to FFr853m ($161.2m) in the first six months of the year.

Mr Jacques Friedman, UAP chairman, predicted that final 1994 results would sbow an improvement over 1993, "but not to the extent of the objectives we had set ourselves in very different conditions a few months ago".

The group revealed yesterday that the market value of its insurance companies' investments was FFr625bn at the end of June, compared with FFr672bn at the end of last year. Unrealised capital gains fell to FFr45bn at the end of June from FFr81bn at the end of last year. Analysts attributed the drop largely to the performance of European bonds and equities.

Though UAP believes that insurance market conditions are improving, it acknowledged that the deterioration of property as well as financial markets had a negative impact on its results.

The group expects Banque Worms, the combined commercial, merchant and investment bank it controls, to break even in 1995 and make a profit the following year. The benk is estimated to have cost UAP FFr6bn since 1991 but many of the banks worst property loans have been transfered to insurance divisions.

Audi plans to invest DM730m in Hungarian engine plant

By Virginia Marsh in Gyor, Hungary

Audi, the executive car division of Volkswagen of Germany, is planning to invest DM730m ($474m) in a new engine manufacturing plant in Hungary over the next five years, it said yesterday.

The initial inveetment will be DM320m and the plant will be Audi's first 100 per cent-owned manufacturing base outside Germany. It is one of the biggest post-communist foreign investments in Hungary and one of several in its nascent car manufacturing sector which has attracted investments from General Motors of the US and Suzuki of Japan.

The plant, which opened yesterday, will be the first to manufacture a new five-valve cylinder engine developed by Audi for its new A4 model, the successor to the Audi 80, due to be unveiled in Munich today.

In the first phase the plant, located in Gyor in western Hungary, will employ 250 people and produce up to 750 1.8 litre engines a day. Production is scheduled to rise to 2,000 a day by 1997. A third phasa would extend the scope of the local production and employ 860 people, the company said.

From 1996, the engine will be used for the Andi A6 and the planned A3 and may be used by Volkswagen and its SEAT and Skoda subsidiaries.

The company said it aimed to source some components and parts locally within two years but ruled out full-car manufacturing in Hungary. The group had an option on a further 230,000 sq metres of land, as well as its existing 250,000 sq metre site, it said.

Future investment decisions would depend on demand for tbe new engine and on whether Hungary retained its cost advantages, it said. The project will be exempt from profit tax for the first five years of operation.

Audi chose the site in Gyor after looking at 180 locations in Europe. Hungary bas lower production costs than eastern Germany and Austria while Hungarian labour costs in car manufacturing are about one-sixtb those in Germany.

Fannie Mae 14% ahead in third quarter

By Richard Waters

Federal National Mortgage Association (Fannie Mae) increased its after-tax earnings by 14 per cent in the three months to September, despite the sharp fall-off in mortgage refinancings in the US this year caused by higher interest rates.

Net interest income of $727.7m was up 10 per cent from a year before, reflecting a narrowing of the company's net interest margin from 140 basis points (hundredths of a percentage point) to 125 basis points.

Net earnings of $542.7m, or $1.98 a ahare, were in line with analysts' expectations, and up from $477.2m, or $1.74, a year before.

Tenneco to spend $73m in production upgrade

By Laurie Morse

Tenneco plans to spend $73m upgrading tbe linerboard capacity at its Packing Corporation of America division.

The investment will boost PCA's linerboard output by 16 per cent and give Tenneco a stronger bold in the rapidly rebounding containerboard market.

Linerboard is used to make corrugated boxes.

The investment in its packaging division is part of Tenneco's strategy to redeploy capital into high-return growtb opportunities in its packaging, automotive parts and natural gas businesses. Last week, the company announced a $60m acquisition for its Tenneco Gas unit.

Tenneco is in the process of spinning off its J. I. Case farm equipment subsidiary.

Analysts expect Tenneco to use the proceeds from Case's sala to make a $1bn acquisition in either packaging or vehicle parts during the next year.

Mr Dana Mead, Tenneco chairman, bas said that a significant European acquisition is in the works which could be completed by year-end.

The linerboard project will add new equipment to an existing linerboard machine at PCA's mill in Counce, Tennessee, already the largest of PCA's five linerboard production sites. The upgrade will add 120,000 tons of annual production to PCA's existing linerboard capacity of 2m tons.

Engen in line for ITT chair

By Richard Waters in New York

Mr Travis Engen has been put firmly in line to take over the top job at ITT, the US manufacturing, hotels and financial services group, wben chairman Mr Rand Araskog retires in two years.

Mr Engen, 50, will take on responsibility for the group's insurance snbsidiary and its communications and information services division in January. With the three manufacturing divisions he already runs, he will be in charge of businesses generating three-quarters nf ITT's $22bn sales.

Mr Engen takes on bis new responsibilities from Mr Dale Comey, wbo is to retire at the age of 52. ITT said there was "nothing sinister" in Mr Comey's departure. He simply wanted to retire early.

Spotlight turns on new commodities fund

Investors are becoming increasingly interested in the sector, writes **Graham Bowley**

Tba launcb last week by Barclays de Zoete Wedd of a commodities fund has thrown the spotlight on an asset class in which investors are showing increasing interest.

The fund will purchasa a range of financial instruments whose returns are linked to the value of underlying commodities, offering investors a new route into a market traditionally difficult to access.

Its aim is to outperform a benchmark of commodity prices – the Goldman Sachs Commodity Index – including energy, agricultural and livestock products, and industrial materials and precious metals, weighted according to world production.

Although it is the first to be listed in London, it is one of a number of recent initiatives offering investors exposure to commodity-based derivatives. Last month, for example, Japanese regulators licensed six firms to offer investment funds specialising in futures and options on commodities.

E.D. & F. Man, the UK commodity broker, which already has about $440m under management allocated to commodities, is set to launcb a commodities fund this month.

The range of individual derivative instruments on offer to these funds, and to investors in general, has also widened recently.

DERIVATIVES

"These tools allow investors to take financial positions in commodity markets, without the physical exposure. They can use commodities as part of their portfolio along with more traditional invastments like bonds and equities," said Ms Emma Conyers, an associate responsible for commodity investor marketing at J.P. Morgan.

Among products being marketed are:

- Commodity linked notes, which have a maturity of anything between six months to two years or longer, offer the investor either a principle or interest rate which is tied to the price of a commodity or basket of commodities.
- Commodity-linked warrants allow investors to buy call or put options which are listed on an exchange. Options give the holder the right to sell (a put option) or buy (a call option) commodities in the future at a price determined at the outset.

"A significant activity this year has been in commodity call option warrants whicb allow investors to participate in rising prices," said Mr Martin Fraenkel, manager of commodity risk management at Chase Manhattan bank in London.

- Anotber instrument - which is more common in the US than in Europe - is the limited partnership, in whicb the investor becomes a partner in the commodities fund and so benefits directly from the profits the fund makes.
- invastors can also buy ehares and bonds issued by the funds – the value of the share and the coupon offered on the bond vary in value with the profit the fund makes.

With bond and equity markets plummeting, commodities have come into their own as protection against rising inflation, as a play on economic growth, and, increasingly, as an elternative asset class in their own right.

Investors bave become increasingly interested in assets thet have, on some basket measures, risen in price by around 23 per cent this year alone. Tbey are also attracted by the fact that prices of commodities, sucb as oil and gas, zinc and copper, are inversely related to bonds and equities – commodity prices rise while bond and equity prices fall.

"Over the last 10 years, commodities have been a very dull asset," said Mr Graeme Stephens, corporate finance manager at E.D. & F. Man in Switzerland. "But now there is a reeurgence in commodity prices, driven by economic growth in both the developed and developing world, and a resurgence of interest in commodities themselves."

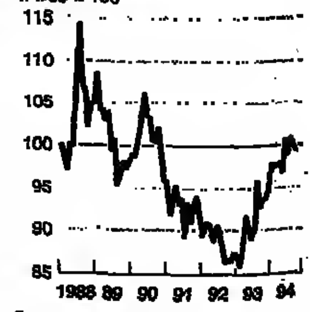
But what happens when the world's economic cycle moves on and commodity prices begin to fall again?

Many prices bave already risen to sucb an extent that that some people are questioning bow much furtber tbey have to rise. Will commodity derivatives and commodities funds then go out of fashion?

"It works both ways," said Mr Stephens. "What we want to see is price movement up or down. We can exploit movement in either direction using derivatives."

"This commodities bull market is a little bit different from others," said Mr Fraenkel. "Tbis time tbe increased eophietication of derivative instruments has reduced the barriers to entry, and this greater ease of access means investors will maintain their exposure to commodities to keep the diversity of their portfolios."

NYFE Commodity Research Bureau Index



Source: Datastream

HongkongBank
The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)
U.S.$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(THIRD SERIES)
Notice is hereby given that the Rate of Interest has been fixed at 5.75% and that the interest payable on the relevant Interest Payment Date January 13, 1995, in respect of US$5,000 nominal of the Notes will be US$73.47 and in respect of US$100,000 nominal of the Notes will be US$1,469.44.
October 13, 1994, London
By: Citibank, N.A., (Issuer Services), Agent Bank CITIBANK

£90,000,000
BHH International Finance PLC
Guaranteed Secured Floating Rate Notes due 1996
For the period from October 11, 1994 to January 11, 1995 the Notes will carry an interest rate of 6⅝% per annum with an interest amount of £1,661.10 per £100,000 and of £16,610.96 per £1,000,000 Note.
The relevant interest payment date will be January 11, 1995.
Agent Bank
BANQUE PARIBAS

INTERNATIONAL COMPANIES AND FINANCE

Japanese takeover brings new stresses

Mitsubishi Bank will take advantage of its current monopoly, writes Gerard Baker

The implications of yesterday's takeover of Nippon Trust Bank by Mitsubishi Bank go far beyond the narrow question of the viability of one small trust bank; it will produce new stresses in Japan's fragile and overcrowded banking sector.

In rescuing the ailing bank, Mitsubishi, already one of Japan's strongest financial institutions, but limited by law in its scope, becomes the first to be permitted to conduct the full range of trust banking operations. Although Mitsubishi has paid a high price for its entrance into this lucrative market, its competitors are concerned that the move gives it an unfair competitive advantage, and are likely to step up pressure on the regulators to open up the financial markets further.

For years, the labyrinth of regulations in Japan's financial sector firmly restricted the activities of the participants. City banks, large commercial lenders such as Mitsubishi, were allowed to conduct the mainstream business of wholesale and retail borrowing and lending. Trust banks ran trust banking operations such as pension fund management; long-term credit banks engaged in investment finance; and brokers were restricted to underwriting and trading securities.

But in the past decade, under pressure at home and abroad to deregulate, the ministry of finance has pursued a gradual policy of removing the partition walls. All banks are now permitted to run limited broking businesses, brokers can operate banking-style deposit accounts, and last year the ministry allowed city banks to establish trust bank subsidiaries.

So far these measures have been cautious in scope. Banks may conduct only limited securities business, and the trust banks' deregulation does not allow city banks to conduct the most profitable aspect of their business, pension fund management and loan trusts. These restrictions were designed to protect the existing companies' core business.

But yesterday's move by Mitsubishi, sanctioned by the finance ministry, drives a coach and horses through the rules, enabling the bank to conduct the full range of trust business, and giving it a substantial advantage both over rival city banks and the existing trust banks.

Mitsubishi has paid a substantial price for what amounts to a trust banking licence. The Y200bn ($1.98bn) injection of capital is well above the target company's market capitalisation of Y107bn. The return is just 50 per cent of the future profits.

Those profits are unlikely to amount to much in the next few years. Declared non-performing loans at the bank are around Y130bn, but the true value of bad assets including restructured loans is closer to Y500bn (28 per cent of the total loan book), and substantial provisioning is therefore likely to weaken profitability further.

Ms Alicia Ogawa, banking analyst at Salomon Brothers in Tokyo, said Mitsubishi is calculating that the longer term benefits of a trust bank operation will outweigh the considerable cost of the takeover. "In the short-term, it is an expensive purchase, with little prospect of any early significant return from Nippon Trust itself. But Mitsubishi is counting on its being well-positioned to compete in the fund management market, especially in the pensions area…."

The stock market appeared to share that view. Mitsubishi's shares rose by nearly 3 per cent as investors anticipated the longer-term advantages.

But the key to the bank's success may depend on how long it has the field to itself. City banks and trust banks were both yesterday reported to be upset at the decision to approve the takeover.

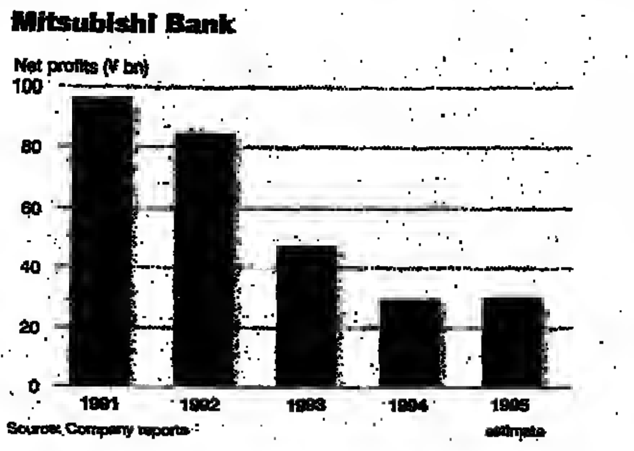
Trust banks had lobbied hard to prevent the big commercial banks from encroaching on their territory and the ministry's decision represents a significant blow to their market position. The deal is likely to place further strains on the relationship between the city bank and Mitsubishi Trust and Banking Corporation, a sister bank in the giant Mitsubishi *keiretsu*, one of Japan's largest corporate groupings.

Some analysts expected the finance ministry, under pressure from other banks, to hasten a wider deregulation of the banking sector. But officials were adamant that the decision was a special response to a particular crisis at Nippon Trust. They pointed to parallels with the takeover of Cosmo Securities, a medium-sized broker last year by Daiwa Bank.

No other banks have subsequently been permitted to operate the full range of broking activities, and the ministry has no plans to allow them.

But it will be the chronic fragility of the entire banking sector that will ultimately decide the pace of further liberalisation. Although Nippon Trust was clearly the weakest of the trust banks it was by no means alone in having a huge portfolio of bad debts.

The likely solution lies in further consolidation of the industry. That will, in time, eliminate the demarcations of the financial markets faster than the ministry plans. For the moment, though, Mitsubishi is set to exploit its monopoly privilege.



Source: Company reports

Anheuser-Busch seeks decision on Czech brewer

By Vincent Boland in Prague

Anheuser-Busch has increased pressure on the Czech government to decide the future of Budějovický Budvar, the Czech Republic's most famous brewer in which the US group is trying to take a minority stake.

In two related moves, Anheuser-Busch says it is suspending negotiations on buying 34 per cent of Budvar, and is not renewing a moratorium on legal action in a dispute between the two companies on use of the Budweiser trademark.

However, it also said it was no longer linking the purchase of the stake to a resolution of the trademark dispute, which is hampering Anheuser-Busch's plans to market its own Budweiser brand in important European markets such as Germany.

Mr Jack Purnell, chairman and chief executive of Anheuser-Busch International, said he hoped the separation of the investment from the trademark dispute would "advance progress on both issues". It is expected that the dispute will be resolved before any investment is made.

Anheuser-Busch said on Tuesday that discussions on the equity stake would be postponed until the government decided how the Czech brewer should be privatised. Negotiations on making an investment began in 1990, and earlier this year it was named the sole foreign negotiating partner in Budvar's privatisation.

However, agreement between the government and Anheuser-Busch has never been in sight. This is partly due to Czech sensitivities about one of its most famous brand names being swallowed by a large multinational, and partly to growing hostility within the country to foreign investment.

Anheuser-Busch said that in spite of being given exclusive negotiating access, the government "could not reach a consensus to follow through on this commitment" and that it had "concluded that the privatisation process is stalled indefinitely in the Czech government".

The agriculture ministry, which owns Budvar, declined to comment on Anheuser-Busch's decision. However, it is understood that a decision on the brewer's future could be made within a month.

While the government decides how Budvar should be privatised Anheuser-Busch and Budvar are to pursue negotiations on reaching a stand-alone trademark agreement.

Mr Jiri Bucek, general-director of Budvar, said the moratorium on legal action, which expired on September 30, was no longer being accepted by many courts. "It must be admitted that it is out of date," he said.

Budvar is keen to link with Anheuser-Busch to expand sales of its own Budweiser brand. Its main export markets are Germany and Austria, but it is seeking to expand into other European markets, particularly the UK.

The company reported profits of Kcs133m ($4.8m) in the first half of this year.

Anheuser-Busch said any new agreement reached "would not be as comprehensive as the one offered to Budvar in combination with Anheuser-Busch's proposal for a minority investment in the brewery".

NEWS DIGEST

Downward trend continues at Ciba as sales fall 2.4%

Ciba, the Swiss chemicals and pharmaceuticals group, reported a 2.4 per cent drop in sales in the third quarter to SFr5bn ($3.9bn) and softened its profit forecast for the full year, writes Ian Rodger in Zurich.

Ciba blamed the strength of the Swiss franc for the downward trend, which was already apparent in the first half.

The performance of the important healthcare sector, which accounts for 38 per cent of group sales, continued to deteriorate in the face of pressures on healthcare costs. Its sales were down 9 per cent to SFr2.1bn in the third quarter while those of the pharmaceuticals division fell 8 per cent to SFr1.47bn.

Sales in the industry sector, covering mainly chemical businesses, were flat at SFr2bn. This was a slight improvement over the previous two quarters, "due to a modest economic recovery".

The agricultural sector also had flat sales of SFr847m, after a 2 per cent fall in the first half.

For the nine months, group sales were down 3 per cent to SFr16.6bn, but Ciba said that they were up 3 per cent expressed in local currencies.

The group said it expected an "increased operating profit" in the full year, which was a slightly less optimistic forecast than its statement in August that net income would be at least as high as 1993's SFr1.78bn.

Lauritzen to float subsidiaries

Lauritzen Holding plans stock exchange flotations over the next few years of its wholly-owned subsidiaries, which include the J. Lauritzen Shipping Company, the Danyard shipbuilding group and several manufacturing companies, writes Hilary Barnes in Copenhagen.

Lauritzen said yesterday that the flotations would be used to bring the holding company's stake in the subsidiaries down to 52 per cent.

Lauritzen reported a first-half loss (before minority shares) of DKr198m ($32.67m) this year, following a full-year loss of DKr171m in 1993. Lauritzen Shipping made a pre-tax loss of DKr240m in the first half following a loss last year of DKr393m.

Both Lauritzen Shipping and Danyard have been affected by the EU's quota policy on South American bananas, which has caused a cut in orders for refrigerated cargo vessels.

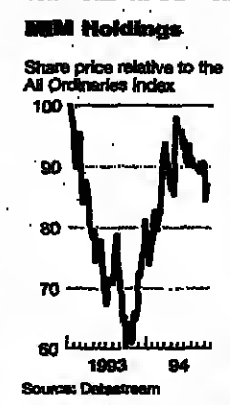
Bergesen sees rise in tanker market

Bergesen, Norway's largest shipowner which yesterday reported weaker-than-expected financial results for the first eight months, forecast an improved tanker market later this year, Reuter reports from Oslo.

"The situation is more conducive to a good autumn tanker market this year than it was last year. However, any improvement in the market would have a limited effect on tanker results in 1994," Bergesen said.

The company reported eight-month pre-tax earnings of NKr92m compared with NKr171m a year ago.

MIM plans to sell its shares in Asarco



Source: Datastream

MIM Holdings, the Australian metals producer, is continuing its divestment of non-core assets with the announcement that it plans to sell its 10.35m shares – a 24.8 per cent stake – in Asarco, the US mining company, writes Bruce Jacques in Sydney. MIM said Asarco was filing a universal shelf registration statement covering the issue of up to US$300m in equity and debt securities with the US Securities and Exchange Commission. MIM had requested that its Asarco stock be included in this filing.

Asarco shares have been trading recently at around US$33 on the New York Stock Exchange, valuing MIM's stake at A$342m. MIM said completion of Asarco's registration process would enable MIM to sell some or all of its stock.

"It is proposed that the sale be by way of broad distribution in accordance with an existing agreement between MIM and Asarco," MIM said. "MIM is pursuing a strategy of concentrating on core product businesses over which it has operational control."

Taiwan banks ahead

Taiwan's big three state-run commercial banks have all reported higher pre-tax profits for the July-September quarter compared with a year ago, writes Our Financial Staff.

At Hua Nan Bank, pre-tax profits rose to T$2.12bn (US$80m) from T$1.38bn on turnover of T$15.17bn, compared with T$13.53bn last time. First Commercial Bank turnover rose more modestly to T$15.54bn from T$14.78bn, but pre-tax profits leapt to T$2.01bn from T$1.57bn. At Chang Hwa Bank, pre-tax profits advanced to T$1.50bn from T$1.23bn a year ago. Revenues were not reported.

ANZ cuts Coles stake

The Australia and New Zealand Banking Group said its stake in Coles Myer, Australia's largest retailer, had been cut to below 1 per cent and that it was likely to sell the balance when market conditions were right, Reuter reports from Melbourne.

Mr David Craig, ANZ chief financial officer, said the bank now held less than than 13m shares in Coles Myer after warrants over its stake were exercised.

October 1994

This announcement appears as a matter of record only.

Aker

Aker a.s
Oslo, Norway

US$ 250,000,000
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Handelsbanken AS
Royal Bank of Canada Group
Skandinaviska Enskilda Banken

Coordinator and Agent

Deutsche Bank Luxembourg S.A.

NOTICE OF DEFAULT
Corimon International Finance Limited
10 1/4% Guaranteed Notes Due 1992-1995

Pursuant to the provisions of Section 10 of the Indenture dated as of October 8, 1990, among Corimon International Finance Limited, as Issuer (the "Issuer"), Corimon, C.A. (Corporacion Industrial Montana) ("Corimon"), and certain subsidiaries of Corimon (together with Corimon, the Guarantors"), The Bank of New York, as Trustee and Principal Paying Agent (the "Trustee"), Banque Internationale a Luxembourg, S.A., as Paying Agent, and Banque Bruxelles Lambert, as Paying Agent, relating to the Issuer's U.S. $40,250,000, 10 1/4% Guaranteed Notes Due 1992-1995 (the "Notes"), of which U.S. $12,578,125 principal amount is currently outstanding, notice is hereby given of the occurrence of a default in the performance or observance of certain financial covenants set forth in Sections 18 (i) (i) and 18 (i) (ii) of the Indenture, which require Corimon, on a consolidated basis, to maintain a ratio of "Consolidated Total Current Assets" to "Consolidated Total Current Liabilities" of not less than 1.2 to 1 and a "Liabilities to Equity Ratio" of not more than 1.2 to 1, respectively. As of June 30, 1994, Corimon's ratio of Consolidated Total Current Assets to Consolidated Current Liabilities was 1.05 to 1 and Corimon's Liabilities to Equity Ratio was 1.4 to 1. The Trustee has requested Corimon to confirm that the financial covenant defaults mentioned have not continued for more than 90 days. If either or both of the financial covenant defaults has continued for more than 90 days, an "Event of Default" described in Condition 10 (iv) of the Terms and Conditions of the Notes will be deemed to have occurred, in which circumstance Condition 10 of such Terms and Conditions afford the Trustee, or holders of at least 25% in aggregate principal amount of Notes outstanding, the right to declare the principal of all the Notes immediately due and payable.

The Bank of New York as Trustee

Dated: October 12, 1994

First half 1994

Net income up by 3.8 %

The board of directors met on September 27 1994 under the chairmanship of Marc Viénot to examine the results for the first half of 1994. Net income was up by 3.8 % in comparison with the same period of the previous year. Equity and the international solvency ratio were strengthened.

Business

In an unsettled financial environment, Group business was somewhat contrasted.

On the private customer side, sustained loan demand and the build-up of savings as well as a growth in commissions, especially on the part of fund management, benefited the domestic network. Corporate credit and deposit outstandings slumped.

In comparison to 1993, an exceptional year, capital market business was on the whole less favorable in both France and the international network.

While continuing their recovery, specialized financing subsidiaries remained sensitive to the difficult economic environment.

Income

After the strong growth (11 %) in the first half of last year, linked to capital market activities, net banking income was down 1.7 %. Taking into account the 2.2 % increase in operating expenses, gross operating income decreased by 9.6 %.

Net allocation to provisions remained high at FF 2,744 m, dropping 22.3 % in comparison to the same period of last year.

Capital gains realized during the first half of 1994 from the sale of the Générale office tower at La Défense was, as at the end of 1993, entirely appropriated to non-recurring provisions on certain costs, thereby correspondingly lightening those of future years.

Overall, net income was FF 2,240 m, as compared with FF 2,158 m for the first half of 1993, an increase of 3.8 %.

Equity

At June 30 1994, Group equity excluding undated subordinated capital notes, was FF 45.4 bn as compared with FF 41.9 bn a year earlier, an increase of 8.4 %. This growth (FF 3.5 bn) was mainly attributable to capital increases (staff, dividends paid out in new shares) and to retained earnings after distribution of the 1993 dividend.

Group international solvency ratio was 9.33 % at June 30 1994, easily satisfying the norm of 8 %. Tier One funds amounted to 5.3% of a total of FF 858 bn in weighted outstandings.

Net revalued assets as at June 30 1994 equaled FF 680 per share which is to be compared with a stock market price of FF 531 at October 7 1994.

LET'S COMBINE OUR TALENTS.

SHEARSON LEHMAN HUTTON HOLDINGS INC. (Incorporated in Delaware)

US$300,000,000
Floating rate notes due October 1996

For the three months 13 October 1994 to 13 January 1995 the notes will carry an interest rate of 5.725% per annum and interest payable on the relevant interest payment date 13 January 1995 will amount to US$146.31 per US$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

CREDIT LOCAL DE FRANCE
USD 100.000.000,-
FRN DUE 1997

Noteholders are hereby informed that the rate applicable for the coupon N°9 has been set at 5,8125%.

The coupon N° 9 will be payable at the price of USD 2938,54 per USD 100.000,- Note on April 12th, 1995 representing 182 days of interest, and covering the period from October 12th, 1994 to April 11th, 1995 inclusive.

The Agent Bank and Principal Paying Agent

CREDIT LYONNAIS

U.S. $100,000,000

Takugin International (Asia) Limited
(Incorporated in Hong Kong)

Guaranteed Floating Rate Notes due 1997
Guaranteed as to payment of principal and interest by
The Hokkaido Takushoku Bank, Limited
(Incorporated in Japan)

In accordance with the provisions of the Notes, notice is hereby given, that for the six month Interest Period from October 13, 1994 to April 13, 1995 the Notes will carry an Interest Rate of 6.125% per annum. The interest amount payable on the relevant Interest payment date, April 13, 1995 will be U.S. $309.65 for each Note of U.S. $10,000 denomination and U.S. $7,741.32 for each Note of U.S. $250,000 denomination.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

CHASE

October 13, 1994

CITY INDEX

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Accounts are normally opened within 72 hours.
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INTERNATIONAL CAPITAL MARKETS

Aegon's $600m convertible meets strong demand

By Richard Lapper and Graham Bowley

Blue-chip corporates were again prominent in the euromarkets yesterday with both J. Sainsbury and Ford raising funds in the three-year dollar sector and Aegon, the Dutch insurance company, tapping the market for $600m with one of the biggest European convertible issues of the year.

J. Sainsbury, the UK retailer, raised $150m to help fund its recent acquisition of Giant Food, the US supermarket chain. The paper offered a coupon of 7.375 per cent and an initial yield spread of 39 basis over the equivalent US Treasury, although this widened marginally when the bonds were freed to trade.

Two-thirds of the issue was placed by the end of trading, although J.P. Morgan, the lead manager, conceded that distribution was becoming more difficult in the short end of the dollar sector following issues earlier this week by SmithKline Beecham and Toyota.

Ford Credit Europe turned to the sterling sector for £100m with a three-year issue. The paper, sold to investors at a reoffer price of 99.705, offered a coupon of 8⅝ per cent and, at its reoffer price, a yield spread of 55 basis points above the equivalent gilt.

Lead managers HSBC Markets said investors were showing interest in shorter-term sterling deals, following recent steepening of the yield curve.

Morgan Stanley led the 10-year subordinated convertible bond for Aegon, which has expanded in the US in recent years. The bond carries a coupon of 4.75 per cent and has been used partially to refinance a $370m 10-year subordinated convertible bond issued in 1991.

The issue, one of Europe's biggest in a generally quiet year for convertibles, met strong demand from continental Europe, according to syndicate managers.

Elsewhere, Compagnie Générale des Eaux, the French utilities group, raised FFr1bn with a five-year deal offering a coupon of 8 per cent. The deal was offered to investors at a reoffer price of 100.08, with a yield spread of 32 points over the equivalent French government bond. Prices fell slightly after the syndicate closed, ending down 2 basis points.

Crédit Local de France tapped the short end of the lire sector with a L150bn three-year bond with a coupon of 11.3 per cent. Proceeds from the deal, led by Credito Italiano, were swapped into floating rate dollars.

Two borrowers tapped the three-year area of the Canadian dollar sector. The European Investment Bank launched a C$150m offering of bonds, priced to yield 10 basis points over Canadian government bonds. The pricing spread tightened to around six basis points when the bonds were freed to trade, joint lead manager Goldman Sachs said.

Rabobank Nederland launched a C$100m offering of bonds, also priced to yield a spread of 10 basis points over Canadian government bonds. The spread narrowed slightly to nine basis points over in late trading.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
County of Los Angeles(a,s)	1.365bn	(a)#	(a)	(a)	(a)	(a)	Lehman Brothers Intl.
Aegon(b)§	600	4.75	100.00	Nov.2004	2.50	-	Morgan Stanley & Co. Intl.
Sainsbury	150	7.375	99.79R	Nov.1997	0.225R	+39(6½%-97)	JP Morgan Securities
Bank Rakyat Indonesia(c)★‡	75	(c1)	100.00	Nov.1999	0.60	-	Sanwa Intl. Finance
YEN							
Citicorp(s)★	15bn	4.00	100.00	Jan.1998	undiscl.	-	Merrill Lynch International
STERLING							
Ford Credit Europe	100	8.625	99.705R	Nov.1997	0.20R	+55(8¾%-97)	HSBC Markets
FRENCH FRANCS							
Compagnie Générale des Eaux	1bn	8.00	100.08R	Nov.1999	0.325R	+32(8¼%-99)	CCF
ITALIAN LIRE							
Crédit Local de France	150bn	11.30	101.315	Nov.1997	1.375	-	Credito Italiano
CANADIAN DOLLARS							
European Investment Bank	150	8.00	99.58R	Nov.1997	0.1875R	+10(i)	Goldman Sachs International
Rabobank Nederland	100	8.125	99.794R	Nov.1997	0.1875R	+10(i)	ScotiaMcleod
SWISS FRANCS							
Exim Bank of Japan	200	5.50	102.50	Nov.1999	2.00	-	UBS
Electricité de France	150	5.375	102.375	Nov.1998	1.75	-	Credit Suisse
LUXEMBOURG FRANCS							
Daimler-Benz Intl.Finance	2bn	8.125	102.20	Dec.2000	1.875	-	BIL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown to the re-offer level. a) Multi tranche global. 11 fixed and 4 zero coupon tranches. To be priced. b) Conv price: Fl120. FX: 1.7260Fl/$. Final redemption price: 138.9%. Callable from 1/11/01. c) Callable and puttable in Nov.97 at par. Puttable if issuer ceases to be fully owned subsidiary of govt. c1) 6-mth Libor +110bp. i) Over interpolated yield. s) Short 1st coupon.

Argentina returns to syndicated loan sector 10 years on

By David Pilling in Buenos Aires and Richard Lapper in London

Argentina has tapped the syndicated loan market for the first time in more than 10 years by signing an 18-month $500m credit with banks led by Credit Suisse and Chemical Bank.

The deal is being seen by the Argentine finance ministry as a vote of confidence in the three-year-old economic stabilisation plan which has combined rapid growth with Latin America's lowest inflation rate.

Mr Domingo Cavallo, finance minister, said conclusion of the deal made Argentina the first Latin American country to return to this segment of the international financial market.

The loan, signed in New York on Tuesday, will have an interest rate of 150 basis points above Libor and will cover revenue shortfalls prompted specifically by delays in the privatisation of several gas distribution companies. Final documentation should be signed early next week.

However, the deal comes against the background of recent economic indicators that show a widening trade deficit, falls in tax collection and the edging up of monthly inflation to 0.7 per cent.

Provisional figures released last week showed the trade deficit for August swelling to $620m, bringing the eight-month gap to a record $3.84bn. Although exports are likely to rise by 20 per cent this year, imports have surged still faster and last month broke the $2bn barrier.

Mr Cavallo says he is unconcerned because capital goods, imports of which have risen 60 per cent this year, account for the bulk of the increase. Capital goods would help to sharpen competitiveness, feed into higher exports and head off any balance of payments problems.

The government has reiterated its rejection of calls from some business quarters for an export-boosting devaluation of the peso. This week, President Carlos Menem said: "There is no possibility of changing any part of the [economic] model, especially the exchange rate."

Referring to Latin America's past experience with devaluation and resulting inflationary pressures, Mr Menem said: "We have already watched that movie."

Mr Cavallo also dismissed suggestions that spending pressures before next May's presidential election would lead to fiscal deficits for the first time since the launch of his economic reforms. "The accounts for the third quarter do not see the surplus of the first two quarters, but this had already been forecast." Budgets would be balanced this year and in 1995, he said.

Inflation too, up in September because of seasonal factors and a recent one-off rise in transport fares would beat this year's 4 per cent target, Mr Cavallo said.

Other international banks participating in the deal are Banco Santander, Dresdner Bank, Bank of Boston, UBS and ING. Local banks participating are Banco Roberts, Banco Rio de la Plata, Banco Frances Rio de la Plata, Banco de Crédito Argentino, Banco General de Negocios and Banco de Quilmes.

Gilts welcome RPI data and outperform Treasuries

By Martin Brice in London and Frank McGurty in New York

The UK government bond market yesterday welcomed statistics which revealed benign inflationary pressures in the economy by rising half a point, and outperforming US Treasuries.

The retail price index rose 2.2 per cent, which was less than the 2.4 per cent expected. Labour market figures were interpreted as being good for gilts.

"Nobody could claim that these numbers are anything but very excellent. They have taken away all the negative feelings which last month's numbers had given gilts," said one dealer.

"It feels like a change in sentiment but it might be premature to say that. But with numbers and interest rates as they are there is clearly a good case for the market to get itself on a firmer footing," he added.

One securities house reported good demand for gilts from US buyers, and the spread of gilts over US Treasury bonds narrowed to around 94 basis points, from around 102 the day before. Some dealers said the Bank of England was taking advantage of the strong market to supply stock.

Mr Simon Briscoe of S. G. Warburg said: "Every day this month there has been a trickle of investors moving round to the bullish view."

He pointed out that the lower-than-expected RPI figure and fall in total unemployment would save the government a total of £2bn a year in social security benefits. He said: "Funding is less of a pressure than in other countries."

GOVERNMENT BONDS

The reaction of the gilt market was subdued, said Mr Chris Dillow of Nomura. "I think that is justified," he said. "It will be difficult to see RPI inflation staying this low."

The December gilt future on Liffe lifted ½ a point on the day to 100⅝ in late trading. The yield spread over bunds narrowed to around 124 in late trading.

■ German government bonds were hardly changed yesterday, as investors stood on the sidelines ahead of today's meeting of the Bundesbank council and the elections on Sunday.

Mr Karl Haeling at Deutsche Bank in Frankfurt said: "We have rallied for almost two days. The market is a little overbought and needs a breather. It has been a consolidation day."

The December bund future was around 89.51 in late trading, up 0.04 of a point on the day.

■ US Treasury bonds drifted lower yesterday morning as the market awaited a barrage of economic data to be released today and tomorrow.

By midday, the benchmark 30-year government bond was $\frac{1}{32}$ lower at 95$\frac{5}{32}$, with the yield rising to 7.881 per cent. On the short end, the two-year note was down $\frac{1}{32}$ at 99$\frac{23}{32}$, to yield 6.636 per cent.

After two sessions of sharp gains, bonds gave back some ground in lacklustre trading which in part reflected fresh weakness by the dollar.

However, the underlying tone was positive. Traders were generally of the opinion that the Federal Reserve would delay its next credit tightening until November, providing some room to manoeuvre going into the important economic data due out at the end of the week.

Most economists were expecting the news to be benign. Forecasts centre on a slight 0.1 per cent gain in September producer prices, and a 0.4 per cent increase excluding the volatile energy and food sectors.

Such readings would present no obstacle for the inflation-sensitive Treasury market.

News of inflation on the consumer level and crucial data on industrial production will follow on Friday.

Yesterday, bonds crept a little closer to their starting marks after the release of the Atlanta Federal Reserve's monthly survey. The report was favourable for fixed-rate securities, showing a general slowdown in manufacturing activity and an easing of price pressures.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.000	09/04	92.8100	-0.580	10.20	10.20	10.20
Belgium		7.250	04/04	92.2600	-0.090	8.45	8.61	8.67
Canada *		6.500	06/04	84.1000	-0.600	8.00	8.04	8.62
Denmark		7.000	12/04	87.3700	+0.070	8.94	9.18	9.21
France	BTAN	8.000	05/98	101.4200	-0.080	7.48	7.66	7.48
	OAT	5.500	04/04	83.0700	-0.090	8.11	8.30	8.10
Germany Treu		7.500	09/04	99.5900	-	7.56	7.80	7.81
Italy		8.500	08/04	81.3300	+0.590	11.75†	11.99	11.98
Japan	No 119	4.800	06/99	102.5120	-0.100	4.18	4.02	3.90
Japan	No 164	4.100	12/03	95.6590	-0.180	4.76	4.69	4.54
Netherlands		5.750	01/04	88.5000	+0.020	7.52	7.71	7.55
Spain		8.000	05/04	82.1500	-0.050	11.09	11.31	11.47
UK Gilts		8.000	06/99	90-17	+11/32	8.43	8.73	8.64
		8.750	11/04	87-21	+16/32	8.59	8.92	8.89
		9.000	10/08	103-09	+20/32	8.59	8.86	8.85
US Treasury *		7.250	08/04	97-02	-14/32	7.68	7.76	7.42
		7.500	11/24	95-18	-19/32	7.89	7.95	7.69
ECU (French Govt)		6.000	04/04	83.5100	-0.060	8.60	8.78	8.87

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	4.86	Two year	6.64
Prime rate	7¾	Two month	4.89	Three year	6.94
Broker loan rate	6½	Three month	5.10	Five year	7.34
Fed.funds	4$\frac{11}{16}$	Six month	5.56	10-year	7.87
Fed funds at intervention	-	One year	5.99	30-year	7.89

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.88	110.94	-0.10	110.86	110.62	118,691	131,639
Mar	110.04	110.18	-0.20	110.18	109.98	1,266	7,896
Jun	109.28	109.42	-0.20	109.34	109.28	333	438

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
110	0.99	-	2.20	0.40	0.92	2.05
111	0.32	1.20	-	0.78	1.32	-
112	0.10	0.73	1.29	-	-	-
113	-	0.44	0.87	-	-	-
114	-	0.23	0.42	-	-	-

Est. vol. total, Calls 70,094 Puts 11,126. Previous day's open int., Calls 253,370 Puts 324,244.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.41	89.42	-0.05	89.55	89.18	130624	155897
Mar	88.60	88.62	-0.10	88.75	88.50	464	2988

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
8900	0.87	1.29	1.08	1.43	0.45	0.87	1.46	1.81
8950	0.59	1.01	0.86	1.18	0.67	1.09	1.74	2.07
9000	0.37	0.77	0.67	0.99	0.95	1.35	2.05	2.37

Est. vol. total, Calls 25777 Puts 16710. Previous day's open int., Calls 271541 Puts 227679

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.85	98.62	+0.62	98.83	87.78	38659	59750
Mar	97.75	97.82	+0.56	87.75	97.75	100	2547

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9850	1.81	2.60	1.69	3.26
9900	1.56	2.38	1.94	3.56
9950	1.32	2.18	2.20	3.88

Est. vol. total, Calls 419 Puts 1845. Previous day's open int., Calls 18704 Puts 25197

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) Oct.11

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.15	87.18	-0.07	87.55	86.90	51,900	78,548

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100-18	101-11	+0-18	101-15	100-17	80065	92377
Mar		100-14	+0-18			0	46

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
101	1-46	2-25	1-24	2-61
102	1-14	1-61	1-56	3-33
103	0-52	1-38	2-30	4-10

Est. vol. total, Calls 10343 Puts 2083. Previous day's open int., Calls 65977 Puts 40153

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	80.26	80.40	-0.14	80.44	80.20	1,135	7,849

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	98-24	98-20	-0-05	99-25	98-18	47,125	403,582
Mar	98-01	87-31	-0-04	98-02	97-28	69	26,387
Jun	-	97-15	-	-	-	1	11,163

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.91			107.04	106.82	2602	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Oct 12	Day's change %	Tue Oct 11	Accrued interest	xd adj. ytd		Low coupon yield Oct 12	Oct 11	Yr. ago	Medium coupon yield Oct 12	Oct 11	Yr. ago	High coupon yield Oct 12	Oct 11	Yr. ago
1 Up to 5 years (24)	119.78	+0.31	119.41	1.50	8.10	5 yrs	8.50	8.59	8.17	8.57	8.66	8.44	8.70	8.80	6.62
2 5-15 years (22)	139.33	+0.44	138.72	1.81	10.29	15 yrs	8.51	8.57	8.99	8.64	8.71	7.13	8.87	8.95	7.34
3 Over 15 years (8)	155.90	+0.70	154.81	2.49	9.81	20 yrs	8.47	8.54	7.11	8.64	8.71	7.19	8.73	8.83	7.35
4 Irredeemables (6)	178.68	+0.94	177.03	3.91	8.63	Irred.†	8.55	8.64	7.24						
5 All stocks (60)	136.71	+0.44	136.10	1.83	9.90										

Index-linked							Inflation 5% Oct 12	Oct 11	Yr. ago	Inflation 10% Oct 12	Oct 11	Yr. ago
6 Up to 9 years (2)	185.44	+0.11	185.24	0.13	5.07	Up to 5 yrs	3.88	4.01	2.47	2.64	2.93	1.58
7 Over 5 years (11)	173.06	+0.21	172.70	0.96	3.85	Over 5 yrs	3.86	3.89	3.15	3.65	3.70	2.86
8 All stocks (13)	173.48	+0.20	173.13	0.88	4.04							

Debentures and Loans						5 year yield Oct 12	Oct 11	Yr. ago	15 year yield Oct 12	Oct 11	Yr. ago	25 year yield Oct 12	Oct 11	Yr. ago
9 Debs & Loans (77)	127.58	+0.84	126.78	2.08	6.95	9.65	8.72	7.82	8.80	8.87	8.06	9.56	9.63	8.18

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 12	Oct 11	Oct 10	Oct 7	Oct 6	Yr ago	High*	Low*
Govt. Secs. (UK)	81.34	90.88	90.86	90.78	90.63	102.61	107.04	89.54
Fixed Interest	107.76	107.60	107.42	107.23	107.02	124.27	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 11	Oct 10	Oct 7	Oct 6	Oct 5
Gilt Edged bargains	98.0	81.2	79.8	78.9	75.5
5-day average	84.7	78.9	76.7	85.1	91.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 12

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89¼	89½		8.29
Alberta Province 7⅞ 98	1000	100	100¼		7.62
Austria 8½ 00	400	100	108⅜	-⅛	7.77
Bank of Tokyo 8⅞ 96	100	101⅝	102⅛	+⅛	7.12
Belgium 5½ 03	1000	82⅞	83⅛	-⅛	8.26
BFCE 7¼ 97	150	101⅛	101⅝		7.19
British Gas 0 21	1500	9⅞	10¼		8.93
Canada 8 98	1000	102¾	103		6.78
Cheung Kong Fin 5½ 98	500	89⅛	89⅞		8.79
China 6½ 04	1000	85⅛	85½		9.07
Council Europe 8 96	100	101⅝	102⅛		6.99
Credit Foncier 9½ 99	300	106⅝	106⅞		7.64
Denmark 5¾ 98	1000	95⅜	95⅝		7.33
East Japan Railway 6⅝ 04	600	89⅛	89⅝		8.28
ECSC 8¼ 98	193	102	102½		7.19
EEC 8¼ 95	100	102	102¼		6.92
EIB 7¾ 99	250	101⅞	101⅛		8.86
EIB 9¼ 97	1000	105⅛	105⅛	-⅛	7.33
Elec de France 9 98	200	104⅛	104⅝		7.52
Eurofima 8¼ 98	100	103	108⅜	-⅛	6.90
Ex-Im Bank Japan 8 02	600	99⅝	100	-⅛	8.05
Export Dev Corp 9½ 98	100	106	108⅜	-⅛	7.58
Federal Natl Mort 7.40 04	1500	96¼	96½	-⅛	8.12
Finland 6¾ 97	3000	98⅜	98⅜	-⅛	7.47
Finnish Export 9⅛ 95	200	102¾	103		6.54
Ford Motor Credit 6¼ 98	1500	96⅛	96⅝		7.71
Gen Elec Capital 9⅞ 95	300	103½	103⅞		7.02
GMAC 9⅛ 98	200	102¼	102¾	-⅛	7.34
Ind Bk Japan Fin 7⅞ 67	200	100½	101¼		7.62
Inter Amer Dev 7⅞ 95	200	101⅛	101½		6.96
Italy 9⅞ 23	3500	78⅜	78¾	-⅛	9.15
Japan Dev Bk 8⅞ 01	500	101⅞	102¼	-⅛	7.97
Kansai Elec Pwr 10 98	350	104⅛	104⅜		6.89
Korea Elec Power 6⅜ 03	1350	84⅝	85¼	+⅛	9.05
LTCB Fin 8 97	200	100⅞	101½		7.54
Matsushita Elec 7¼ 02	1000	95⅛	95½	-⅛	8.27
Norway 7¼ 97	1000	100⅛	100⅜	-⅛	7.16
Ontario 7⅜ 03	3000	95	95⅜	-⅛	8.38
Oster Kontrollbank 8½ 01	200	102¾	103⅛	-⅛	7.92
Petro-Canada 7¼ 96	200	100⅛	100⅞	+⅛	6.95
Portugal 5¾ 00	1000	84⅝	84⅞	-⅛	8.37
Quebec Hydro 9¾ 98	150	105¾	106¼	-⅛	8.00
Quebec Prov 8 98	200	103⅛	103⅝	-⅛	7.91
Sainsbury 9⅛ 98	100	103¼	103¾	-⅛	7.29
SAS 10 99	200	105⅛	105⅞	-⅛	8.52
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	100⅝	100¼	+⅛	6.89
Volkswagen Intl Fin 7 00	1000	94⅛	94¾	+⅛	7.98
World Bank 0 15	2000	20¼	20¾	-⅛	7.86
World Bank 5⅞ 03	3000	88¼	88¾	-⅛	7.72
World Bank 8¾ 00	1250	110⅛	110⅝	+½	6.48
SWISS FRANC STRAIGHTS					
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	91⅛	91½	+⅛	9.56
Alliance Leics 11⅝ 97 £	100	103	108⅜	+⅛	8.62
British Land 8⅞ 23 £	100	67⅛	87⅝	-⅛	10.54
Denmark 6¾ 98 £	800	93½	93⅞	+⅛	8.79
EIB 10 97 £	637	103⅝	100⅛	+⅛	8.29
[illegible]					

UK GILTS PRICES

[illegible]

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Market conditions 'not encouraging' for catering group's flotation

Gardner Merchant rises 14%

By David Blackwell

Gardner Merchant, the largest contract caterer in Europe, yesterday reported an increase of almost 14 per cent in interim profits.

The group, bought by the management from Forte for £402m at the end of 1992, made profits before interest and tax of £26.9m (£23.7m) in the six months to July 31 on the back of a 9 per cent rise in turnover to £556m (£509m).

Mr Garry Hawkes, chief executive, said the group was under no pressure to float. "Our investors are happy with their returns, and clearly the current market conditions are not very encouraging."

Group debt stands at £220m after a refinancing deal in the summer with the Royal Bank of Scotland and five other banks.

Growth during in the half year was all organic, with a net gain of 175 contracts, compared with 163 previously.

The group relies on the UK for more than half its business and most of its profits. UK profits grew to £19.9m (£17.2m) on sales of £320m (£291m).

Trevor Humphries

Garry Hawkes: 'Our investors are happy with their returns'

Almost a third of new contracts in the UK, where margins improved from 5.9 to 6.2 per cent, were in the public sector – an area the group has targeted for future growth both in the UK and overseas.

In the rest of Europe profits edged ahead to £5.5m (£5.2m) on sales of £152m (£141m), held back by tha recession in France. European margins eased to 3.6 per cent (3.7 per cent). Profits from the rest of the world, including the US, were £1.5m (£1.3m) on sales of £83.3m (£77.2m).

The current half will include for the first time the group's five acquisitions made this year for a total of £72.9m – the main one being the $100m (£63.2m) purchase of part of Morrisoo Restaurants' contract food division in the US.

This doubled the size of the group's US business and made it fifth biggest in the US market.

● Employees who use their staff restaurant are benefiting from a perk worth at least £300 a year and in today's tough economic climate mora employees than ever are eating company food, according to an employee catering survey conducted by the Industrial Society and Touche Ross Management Consultants.

The average subsidy per user of company canteen facilities is £328.90 a year and more than 50 per cent of employees are now using catering services, the survey found.

Lotus returns to the black with £2m

By John Griffiths

Group Lotus, the UK sports car maker and engineering group taken over last year from General Motors by Bugatti International of Italy, yesterday announced its return to profitability after an extended period of losses under GM ownership.

The company, which currently employs 950 people at its Hethel, Norfolk, operations, is now on course to fund a new small sports car planned for 1996 from its own resources after achieving a £12.3m turnround to record an unaudited net profit of £2m, Mr Adrian Palmer, managing director, said last night.

Bugatti bought Lotus from GM for a reputed £30m and said as recently as June that it intended to raise more than £100m to fund Bugatti and Lotus development through a flotation on the New York Stock Exchange.

So far, this has not been proceeded witb and Mr Palmer said yesterday that Lotus would now need additional funding only for a larger sports model also being planned for the late 1990s.

Lotus's transition to profit from a £10.3m net loss in its financial year to August was based on turnover 22 per cent higher at £50.8m.

Sales of the Esprit, its large sports car, rose 45 per cent from 246 units to 360, and 84 Elan small sports cars were sold after the resumption of production earlier this year.

While Lotus plans to build a similar number of Esprits in the current year, it is scheduled to build a total of 800 Elans by mid-1995 as a limited production run, after which it will be preparing to produce the new small sports car. This, too, is scheduled for output of 800 units a year starting in early 1996.

However the bulk of Lotus's turnover – about 60 per cent – came last year from engineering consultancy work. This rose 7 per cent in valne to £25.1m and £43m of new orders have been received in the past 12 months, said Mr Palmer.

C&W signals priorities with China partnership

By Andrew Adonis

Yesterday's breakthrough by Cable and Wireless into China may mark a turning point in the strategy of the UK telecommunications group.

Although the precise terms of the $300m (£190m) agreement to develop telecoms networks in partnership with China's ministry of posts and telecommunications remain to be finalised, C&W left no room for doubt that Asia would be its prima investment focus for the next decade.

C&W has operations across the world, but Hongkong Telecom – of which C&W owns 57.5 per cent – has long been the jewel in its crown.

Last year Asia accounted for nearly half of the company's £4.7bn turnover, and Hong Kong alone for 64 per cent of its operating profit. By contrast, in the highly competitive UK market, C&W's turnover (through its Mercury subsidiary) was three quarters that in Hong Kong, yet its operating profit was less than a third as great.

Mr James Ross, C&W's chief executive, said: "When you ask what differentiates us from others you always come back to Asia; and now that we have this tangible evidence of the opportunities in China, it will clearly be a priority."

The "first call" on resources "will tend to be Asia".

The Chinese deal represents about two thirds of Hongkong Telecoms's total capital investment last year. Spread over three years, it represents about a 25 per cent annual increase, and more could be in store.

"The arrangement with the MPT [Chinese telecoms ministry] is very fluid, and further opportunities could well be available, even at this stage," said Mr Ross.

Mr Andrew Harrington, Asian telecoms analyst witb Salomon Brothers in Hong Kong, said the deal "strengthens Hongkong Telecom's premier position in China, and is bound to make China C&W's most important new sphere of activity for the foreseeahle future."

However, C&W said yesterday it had no intention of withdrawing from other regions. Last week the Bouygues consortium, in which C&W has a 20 per cent stake, won the licence to build France's third mobile phone network, with plans to invest about FFr11.7bn (£1.4bn) over 10 years.

C&W is investing heavily in its mobile venture in the UK, and has a stake in a German mobile phone operator which may enter the fixed-wire sector as European telecoms are opened to further competition. C&W intends to expand in the Caribbean and US.

Balancing commitments and opportunities is thus a critical challenge for C&W. It is not only a question of balance *between* regions hut also *within* regions. "Even in Asia, we are not putting all our eggs into the Chinese basket," Mr Ross stressed, pointing to C&W's operations in Australia and its ambitions in Vietnam, Malaysia, Singapore and Indonesia.

Mr Ross believes the group could comfortably increase expenditure by between £500m and £1bn a year, given its low gearing. But that could he swallowed up in China alone if the state monopoly dam has truly hurst.

See World Trade and Lex

Lewis resigns Technology chair

By Alan Cane

Mr Derek Lewis, chairman of Technology, is leaving the personal computer distributorship at the end of the year after some 18 months of strife and unhappiness among staff and customers.

Technology, which is owned by ICL and is one of the UK's largest pc distrihutors, is unlikely to make a profit for the year althongh it is currently trading in the hlack, according to Mr Ninian Eadie, in charge of ICL's volume products division.

Mr Lewis denied that he was leaving in any mood of bitterness, however. He is moving to Schroder Ventures where he will take a role in determining the group's electronics and computers investment policy.

He said yesterday that Technology was now firmly established as part of the ICL structure and ready for its next expansion phase. "I think I have done my job and now it is time to move on."

The new chairman will be Mr Ken Wallace, deputy chairman and logistics director. Ms Marie-Anne van Ingen, sales director, becomes managing director.

ICL's take over of Technology is 1992 was seen as a bold experiment for a former mainframe computer manufacturer in the low cost distribution of pcs. It failed to work as planned, however, hecausa Technology proved unahle to handle the volume of husiness on its own and earlier this year ICL pnt a new organisation, ICL Client-Server Systems, in place to supply pcs and mid-range machines to dealers and systems houses.

Now Technology operates at arms-length to ICL, distributing computers from a range of manufacturers: "It is very much back to basics" Mr Eadie said yesterday.

Mr Lewis led the managemant huy-out of Technology and its subsequent sale to ICL. There was speculation in the industry yesterday that if ICL was prepared to sell Technology, Mr Lewis would be well placed with Schroders to help with financial matters.

Capital and Regional leaps to £1.24m

Capital and Regional Properties reported sharply higher pre-tax profits for the six months to Juna 24, during which just under £50m was spent on acquisitions.

The USM-quoted property investment company raised the figure from £151,000 to £1.24m. This included a contribution of £281,000 from R Green Properties, covering the 11 weeks since its acquisition for £33.4m in April, when a £25.3m rights issue was also completed.

Net rental income came to £2.95m (£3.38m). Other income added £807,000 (£72,000) and the net interest charge declined to £1.42m (£2.25m).

The interim dividend is raised to 0.6p (0.5p) on earnings per share of 2.85p (0.2p).

Shareholders' funds at June 24 stood at £76.8m, against £49.6m at December 25 1993. Net assets per share were 168.5p (163.8p at the year end).

Mr Martin Barber, chairman, said Centrepoint Properties Corporation, the former subsidiary now quoted separately in the US, had performed in line with expectations. Capital and Regional owns 20 per cent of the common stock in Centrepoint.

The company plans to move to the main market once the accounts for 1994 have been published.

Buoyant recruitment market boosts BNB

BNB Resources, the recruitment, training and consumer communications group, yesterday announced sharply increased first half profits as it consolidated the recovery shown in 1993.

Mr David Norman, chairman, said that continuing increased demand across the group's activities was behind the pre-tax line improving from £344,000 to £1.38m for the half year to June 30. Turnover rose 33 per cent to £42.2m.

The human resources recruitment side lifted its contrihution to operating profits hy 73 per cent to £3.07m. The senior management and professional recruitment market displayed a solid improvement in the UK, Mr Norman said, with Norman Broadbent's revenue ahead 31 per cent. In the US, income at NBI rose 39 per cent, helped hy the Chicago office coming on stream. Mr Norman praised an "outstanding" performance from NBI Hong Kong with "business booming" at its new Beijing office with revenue more than doubled.

NB Selection, which specialises in management recruitment, has expanded from its UK base on to the Continent with offices opening in Paris and Madrid. Revenue jumped 63 per cent, outperforming a market showing volnme growth of about 30 per cent.

Margins on the training side remained under pressure, with the seasonal operating deficit widening from £395,000 to £721,000. Market share had improved, however, and Mr Norman anticipated an advance on last year's overall profit of £497,000.

Earnings per share emerged at 4.2p (1.1p); the interim dividend goes up to 1.77p (1.6p).

Pilkington buys Finnish minority

By David Wighton

Pilkington is boying ont minority shareholders in its Finnish float glass subsidiary, enabling it to complete the integration of its European float glass production lines.

The UK glass group is paying FM69.6m (£9m) in shares for the remaining 29 per cent of Lahden Lasitehdas. The stake is currently owned by Finnish institutions.

Pilkington took a 50 per cent stake in Lahden Lasitehdas in 1978, which it increased to 71 per cent in 1988 when the Finnish government sold a 33 per cent holding for £6m.

Pilkington is streamlining prodnction between its nine European float plants in the UK, Germany, Sweden and Finland. All the others are wholly owned.

NW Water sells Malaysian stake

North West Water is to swap a 20 per cent stake in Malaysia's Indah Water Konsortium for a holding in Indah Watsr Operations, a separately formed operating company which has exclusive rights to maintain and operate the assets of IWK.

The deal, which will leave North West with a 5 per cent holding in IWK, would enhance the overall strength of the group's position in Malaysia, directors said.

Under the terms of the transaction North West has agreed to sell the 20 per cent stake to the Berjaya Group, one of its co-investors in IWK.

Consideration is £7m, the par value of the holding plus £1m. In addition, North West has agreed to a "deeprooted alliance" with Berjaya, focusing on developing clean water opportunities in Malaysia and establishing a manufacturing/distribution base.

The two are also to create a jointly-owned company, based in Hong Kong, to exploit opportunities in water and waste water in mainland China.

Berjaya South Island, a listed company, has offered to purchase all the shares in IWK. That offer has been accepted by 80 per cent of the shareholders, including North West.

In consideration for the disposal of its remaining 5 per cent stake in IWK, North West will take equivalent stock in BSouth, which will be renamed Prime Utilities.

The BSouth proposals are subject to approvals by the Malaysian government and the Kuala Lumpur Stock Exchange, as well as shareholders. This process could take up to six months.

IWK was six months ago awarded the contract by the government of Dr Mahathir Mohamad to upgrade and construct a nationwide sewerage system.

Berjaya associated companies, controlled by Malaysian Chinese entrepreneur Mr Vincent Tan, had a 35 per cent stake in Indah. North West had 25 per cent and funds associated with Malaysia's army and police force had 20 per cent each.

At the time opposition groups accused the government of favouritism towards Mr Tan and Berjaya. However, criticism was somewhat mollified by the broad composition of the Indah consortium.

Mr Boh Ferguson, North West's finance director, said the restructuring was being undertaken because the Malaysian government wished to see ownership of the recently privatised water operations vested in local publicly traded companies.

NEWS DIGEST

Fine Decor advances to £1.4m

Fine Decor, a manufacturer of printed wallcoverings, increased pre-tax profits hy 5 per cent from £1.33m to £1.4m in the six months to July 31.

Sales came to £18.8m (£19.2m), made up of £10.1m (£11.7m) from the UK and £8.69m (£7.48m) from overseas – mainly the US.

The interim dividend is increased to 2.7p (1p) on earnings per share of 7.3p (8.1p).

Mr Roger Reagan, chairman, said yesterday that the second half had started well and export growth was still strong. However, conditions in the UK decorative market remained difficult.

Bolton improves

Bolton Group, which is involved in property investment, lifted pre-tax profits from £142,000 to £337,000 in the year to April 30.

The result was achieved on lower turnover of £1.35m (£2.46m). Earnings per share came through at 2p (1p).

The acquisition of United Real Estate in June had allowed the group to extend its portfolio so it was not solely dependent on the Goswell Road property, directors said.

Brandon expands

Brandon Hire, the Bristol-based hirer of power tools, catering equipment and marquees, has acquired Beechwood, a supplier of tools for hire and sale.

Consideration is £1.82m, of which £500,000 will be satisfied in shares, with the balance in cash. The vendor has undertaken to retain the shares for a minimum of 12 months.

The Beecbwood husiness, established in 1974, operates from seven depots in south Wales and one in Bristol. It made profits before interest, tax and directors' remuneration of £166,000 on sales of £2.53m in the year to end-March.

The value of the assets being acquired is £632,000.

REA ahead 67%

REA Holdings, the plantation, mercbanting and storage group, lifted profits hy 67 per cent to £592,000 pre-tax for the first half of 1994.

The increase from the comparable £354,000 was achieved on turnover of £43m (£40.9m).

Mercbanting contrihnted £467,000 (£342,000) to profits, reflecting increased business and improved margins. Despite continuing weak tea prices, the agriculture operations returned to the black with £83,000 (loss of £76,000).

Earnings per share were 4.6p (1.2p).

Ipeco slips to £1.2m

Ipeco Holdings, the maker of specialist products for the aviation and defence industries, reported a fall in pre-tax profits from £1.57m to £1.21m for the half year to June 25.

Mr Christopher Johnson, chairman, said tha results reflected conditions in the aerospace market. However, they represented progress from the low point reached last autumn.

He also announced the award of a contract for the supply of crew seats to the new 737-700 range of airliners, which, he said, firmly cemented the long-term relationship with Boeing.

Turnover slipped to £9.47m (£10.6m). The interim dividend is maintained at 1.3p, payable from lower earnings of 2.94p (3.8p) per share.

Widney/SPC

Widney, a maker of windows and water treatment, power transmission and electronic equipment, bas made a deferred payment of £800,000 cash for SPC International.

The vendors of SPC, which refurbishes and sells point of sale systems and cash dispensers, agreed in July that payment would be made in cash or new Widney ordinary shares, at Widney's option, depending on SPC's profits. SPC reported £767,000 pre-tax for the year to June 30.

Derwent debenture

Derwent Valley Holdings, the property investment company, is to issue £35m of First Mortgage Debenture Stock 2019. The proceeds will be used to refinance the company's other horrowings and extend their maturity profile.

The coupon has been set at 10.125 per cent with the issue price at £99.139 per cent. This gives an effective yield to investors of 165 basis points over the gross redemption yield on 8.75 per cent Treasury Stock 2017.

Houghton Europe

Houghton Europe, the privately-owned US industrial fluids group based in Birmingham, is spending £13m on the takeover of CMT, a subsidiary of BASF of Germany.

This will lift Hougbton's share of the European industrial fluids market to about 10 per cent, representing sales of £70m a year.

Bulgin 77% ahead

AF Bulgin, the electrical components manufacturer, reported a 77 per cent rise in interim pre-tax profits from £280,000 to £497,000.

Turnover for the half year to July 31 was 15 per cent ahead, at £9.03m (£7.84m).

Mr Ronald Bulgin, chairman, said that all parts of the group had performed well in what had been the most profitahle half year for e number of years.

Earnings per share were 1.26p (1p).

Emap/Trans World

Emap, the media concern, yesterday announced it bad received valid acceptances in respect of 27.4m shares, or 69.8 per cent of the Trans World shares it did not already own.

Together with the 11.6m shares held by Emap or its subsidiaries prior to the offer this represents 99.3 per caot of Trans World's issued share capital.

Sturge disposal

Sturge, the Lloyd's underwriting agency, expects to receive an initial consideration of £500,000 for the sale of its members' agencies business to a management buy-out.

Tha sum will consist of £100,000 cash and £400,000 in preference shares in Falcon Agencies, the company taking over the business of RW Sturge and Donner, Sturge's two members' ageocies.

In addition RW Sturge and Donner will receive a deferred cash consideration dependant on future results of Falcon, subject to a limit of £5m .

The deal requires approval hy Sturge shareholders and Lloyd's.

PUBLIC WORKS LOAN BOARD RATES
Effective October 11

Years	Quota loans* "Lower" quota rates EPI†	A††	at maturity§	"Higher" quota rates EPI†	A††	at maturity§
1	-	-	6⅞	-	-	7
Over 1 up to 2	7⅛	7⅛	8	7¼	7¼	8⅛
Over 2 up to 3	7⅝	7¾	8½	7¾	7⅞	8⅝
Over 3 up to 4	8⅛	8⅛	8¾	8¼	8¼	8⅞
Over 4 up to 5	8⅜	8½	8⅞	8½	8⅝	9
Over 5 up to 6	8½	8⅝	9	8⅝	8¾	9⅛
Over 6 up to 7	8¾	8¾	9	8⅞	8⅞	9¼
Over 7 up to 8	8¾	8⅞	9⅛	8⅞	9	9¼
Over 8 up to 9	8⅞	8⅞	9⅛	9	9⅛	9¼
Over 9 up to 10	8⅞	9	9⅛	9⅛	9¼	9¼
Over 10 up to 15	9⅛	8⅞	9	9¼	9¼	9¼
Over 15 up to 25	9⅛	9⅛	8⅞	9¼	9¼	9¼
Over 25	9	8⅞	8⅞	9¼	9¼	9¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.10.94 Pool purchase price £/MWh	Final Prices for Trading on 10.10.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.60	11.06	12.66
0100	8.60	11.06	12.66
0130	8.60	11.06	12.66
0200	16.60	11.00	12.66
0230	18.60	11.06	12.66
0300	18.60	11.06	12.66
0330	16.60	11.06	12.66
0400	16.56	11.06	12.66
0430	8.90	11.06	12.66
0500	8.90	11.06	12.66
0530	8.90	10.40	10.40
0600	8.90	9.95	8.95
0630	16.25	13.30	14.90
0700	16.61	15.72	18.32
0730	16.64	17.21	18.82
0800	28.23	17.26	18.87
0830	40.48	18.01	19.64
0900	40.54	18.08	19.73
0930	27.38	18.13	19.70
1000	28.29	18.19	19.86
1030	28.28	18.20	19.88
1100	28.21	18.21	19.89
1130	28.20	18.25	19.94
1200	32.73	18.30	20.00
1230	32.71	18.26	19.95
1300	27.09	18.15	19.82
1330	26.59	18.03	19.67
1400	21.68	17.75	19.37
1430	21.68	11.28	11.28
1500	21.67	11.28	11.28
1530	21.67	17.26	18.87
1600	21.69	17.28	18.90
1630	22.91	18.05	19.69
1700	31.16	18.08	19.73
1730	31.16	18.05	19.69
1800	31.21	17.26	18.89
1830	42.73	17.70	19.31
1900	57.80	18.72	18.33
1930	57.80	17.22	18.83
2000	58.33	31.38	32.99
2030	33.21	31.38	32.99
2100	33.00	31.37	32.98
2130	21.87	16.51	17.92
2200	19.66	18.72	18.32
2230	16.75	16.19	17.79
2300	16.60	16.21	17.82
2330	16.60	16.16	17.77
2400	16.03	14.31	15.91

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

Notice of Prepayment

SEK

Aktiebolaget Svensk Exportkredit
(Swedish Export Credit Corporation)

FRF 600,000,000
8¾ per cent. Bonds Due 1996

NOTICE IS HEREBY GIVEN to the Bondholders that, in accordance with the Terms and Conditions of the Bonds, the Issuer will prepay all of the outstanding Bonds at 100.5 per cent. of their principal amount on 14th November, 1994 (the "Prepayment Date"), together with interest accrued to the Prepayment Date.

Payment of principal and interest will be made on or after the Prepayment Date at the specified office of any of the Paying Agents listed below against surrender of the Bonds, together with all unmatured Coupons attached.

The accrued interest payable upon presentation of each Bond will amount to FRF 539.58 per FRF 10,000 denomination and FRF 5,395.83 per FRF 100,000 denomination.

Paying Agents
Bankers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE

Banque Indosuez Belgique S.A.
Place Sainte-Gudule 14
1000 Brussels

Banque Indosuez Luxembourg
39, Allée Scheffer
Luxembourg

Swiss Bank Corporation
1 Aeschenvorstadt
CH-4002 Basle

Crédit Commercial de France
115-117, av. des Champs-Elysées
75008 Paris

Bankers Trust Company, London — Fiscal Agent
13th October, 1994

Notice of Redemption

MFC

Mortgage Funding Corporation No.4 PLC
(Incorporated in England and Wales with limited liability under registered number 2133465)

£100,000,000 Class A1
Mortgage Backed
Floating Rate Notes
Due 2035

NOTICE IS HEREBY GIVEN to the holders of the Class A1 Notes, that the Issuer has determined in accordance with the Redemption provisions set out in the Terms and Conditions, the Class A1 Notes in the amount of £6,100,000 will be redeemed on the next Interest Payment Date 31st October, 1994 (the "Redemption Date"). The Class A1 Notes will be redeemed on a pro rata basis and the Principal Payment per Class A1 Note will be £6,100. The Principal Payment on each Class A1 Note will be made in accordance with the operating procedures of Euroclear and Cedel.

Bankers Trust Company, London Agent Bank
13th October, 1994

MAES Funding No. 1 PLC

MAES

£200,000,000
Mortgage Backed
Floating Rate Notes due 2018

Notice is hereby given that the Rate of Interest has been fixed at 6.2625% for the interest period 11th October, 1994 to 11th January, 1995.

The interest amount payable on 11th January, 1995 will be £1,578.49 in respect of each £100,000 denomination.

CIBC
Agent Bank
11th October, 1994

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U.S. $250,000,000

National Australia Bank

(Incorporated with limited liability in the State of Victoria, Australia)

Undated Subordinated Floating Rate Notes

Notice is hereby given that for the six months Interest Period from October 13, 1994 to April 13, 1995 the Notes will carry an Interest Rate of 6.025% per annum. The interest payable on the relevant interest payment date, April 13, 1995 will be U.S. $7,614.93 and U.S. $304.60 respectively for Notes in denominations of U.S. $250,000 and U.S. $10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

October 13, 1994

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Notice
ADELAIDE BANK LIMITED
USD 250,000,000
MULTIPLE OPTION FACILITY AGREEMENT
DATED MARCH 25, 1994

In accordance with the provisions of the Transferable Loan Certificate issued on April 12, 1994, notice is hereby given that for the three months interest period from October 12, 1994 to January 12, 1995, the Certificate will carry an Interest Rate of 6.175% per annum.

Barclays Bank PLC, Hong Kong
As Facility Agent

Largest gains achieved in pharmaceuticals and veterinary products

Lloyds Chemists 17% ahead

By David Blackwell

Lloyds Chemists, the UK's second largest pharmaceuticals retailer, lifted both profits and turnover by 17 per cent for the year to the end of June, helped by large sales gains in the pharmaceuticals and veterinary divisions.

Pre-tax profits rose from £49.7m to £58.3m, while sales expanded from £802m to £940m. The latest profits included an exceptional gain of £2.81m from disposals.

Earnings per share rose from 28.5p to 33.67p. The board is proposing to increase the final dividend from 5.25p to 6.8p, raising the total by 31 per cent to 9.5p (7.25p).

Mr Allen Lloyd, chairman, said the record results had been achieved in the fourth year of a recession characterised by negligible inflation, fragile consumer confidence and a very competitive retail climate.

"We have no declining markets, all our divisions are profitable, and all are moving forward," he said.

The shares rose by 16p to 299p.

Sales in the retail division, which includes the chains of more than 900 chemist shops and some 300 Holland & Barrett healthfood shops, were 5.5 per cent ahead to £601m (£569m). Profits rose from £44.9m to £49.5m.

The group said the healthcare market was continuing to grow, with increasing NHS business and buoyant over the counter sales. The group describes itself as the leading neighbourhood pharmacy chain, with most shops near doctors' surgeries.

News Team

Peter Lloyd, chief executive (left), with Michael Ward, finance director and Allen Lloyd: the group has no declining markets

It has won the NHS contract to distribute 14.3m rubella vaccinations in the government campaign to treat all children between five and 16 years old.

The pharmaceuticals division increased sales by 49 per cent from £184m to £274m and lifted profits from £11.4m to £13m. The increases reflected acquisitions in Scotland, where it is now the leading distributor, and in Northern Ireland, a new market for the group, as well as organic growth.

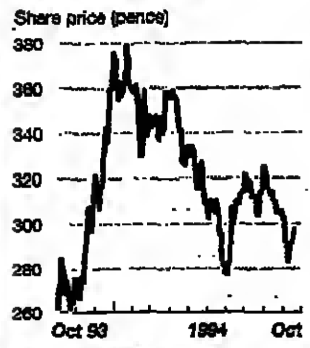
Profits at the veterinary division rose from £2.06m to £3.54m on the back of a 32 per cent increase in turnover from £49.2m to £65.1m.

Mr Lloyd said the group would "do even better in future", adding that first quarter sales in the retail division were 8 per cent higher, while the pharmaceutical and veterinary divisions were 39 per cent and 47 per cent higher respectively.

While he did not rule out further acquisitions completely, he said he would be happy for the group to grow organically.

Lloyds Chemists

Share price (pence)



Source: FT Graphite

● COMMENT

It is becoming increasingly difficult to be a bear on these shares. Chemist shops are a low risk business as licence requirements make it difficult to open new branches. The policy of issuing shares to mop up competitors, much criticised at the time, now looks like good strategy. The group has made no large acquisitions for a couple of years, and has consistently delivered results in line with expectations. Gearing is 31 per cent – by no means excessive – and interest cover is a healthy 14.6 times. A dividend of 11.5p this year gives a prospective yield of 4.8 per cent, while forecast profits of £62m leave the prospective multiple at about 9. AAH and UniChem – the companies most often held up for comparison – are on multiples of 14.1 and 15 respectively.

Revamp costs hit Johnson Cleaners

By Peggy Hollinger

Johnson Group Cleaners, the largest dry cleaners in the US and the UK, yesterday warned that profits would be hit by a £2.4m charge to pay for a reorganisation of its British operations.

The announcement follows the company's warning in August that full year profits were expected to fall in 1994. Difficulties in both dry cleaning and textile rentals led analysts to rein in profits estimates at the time from £18m to £17m.

Mr Terry Greer, chairman, said yesterday's statement was not a profits warning. It was instead a positive step to enable the company to "improve a lot faster", he said. "We are confident that all the steps we are taking will have a positive effect on trading next year."

The reorganisation would mean the loss of up to 100 jobs, including some senior managers. Johnson would also step up the closure of 50 marginal dry cleaning shops.

The actions would result in savings of about £500,000 a year, Mr Greer said.

From the beginning of next year, Johnson's textile rentals and dry cleaning businesses would be run as separate companies.

Managing directors have been appointed to both divisions and the textile rental business would trade under the name Apparelmaster UK. Johnson is the fourth largest garment rental operator in the UK.

A specialised and focused management would allow the businesses to respond more quickly to pressures and opportunities, said Mr Greer. "We would like to expand by acquisition again and this way we will be able to do so much more quickly."

Mr Greer said trading in the dry cleaning business had not improved since the warning in August. On a brighter note, "steps have been taken recently to reduce the overhead costs of the lossmaking franchise dry cleaning business in the US," he said. "It is expected that this business will break even in 1995." Analysts have estimated that the US franchise business had been losing about $1m (£600,000) a year.

The shares closed up 1p at 256p.

Luxury sales help Time Prods to £4.7m

By David Blackwell

Time Products, the watch and jewellery distribution group, lifted both turnover and profits, excluding exceptional items, by almost a quarter in the six months to July 31.

Mr Marcus Margulies, chairman, said yesterday he was pleased with the results and confident about the future. "Rich people will always buy, but you have to have the things they want."

In the pipeline was "the most complicated pocket watch ever made," which would have 11 hands and movements on both sides and sell for more than £500,000.

Pre-tax profits were £4.69m, against £5.83m last time, when profits on disposals totalled £1.48m.

Total turnover rose from £29.9m to £37.2m, including a £2.05m contribution from the Swiss distribution of Audemars Piguet, the Swiss watchmaker. Time, which already has the North American distribution rights, paid £2.5m cash and assumed £2.5m of debt to buy the Swiss rights last March.

Mr Margulies described sales of luxury watches, which can be priced at up to £500,000, as satisfactory, with Audemars Piguet sales in North America exceeding expectations.

The group, which holds agencies for seven luxury watchmakers, including Blancpain and Vacheron Constantin, sold 10 pieces at more than £100,000 in the half.

Last year the group acquired Judith Leiber, the American designer of luxury handbags and evening bags which retail at between $1,200 and $4,000. It is planning to develop the brand, adding costume jewellery and other accessories.

Luxury items made up 70 per cent of operating profits, compared with 30 per cent from the volume operations, including Sekonda watches.

The cost of buying the Swiss rights to Audemars Piguet and lower rates reduced interest income from £513,000 to £138,000 and left the group marginally geared. But profits are skewed to Christmas and the second half, and the group expects to be cash positive by January.

Earnings were 5.85p (6.67p). The interim dividend is raised by 0.25p to 3.25p.

Ryan Hotels rises 53%

Ryan Hotels, the Dublin-based hotel operator, lifted pre-tax profits 53 per cent from I£526,000 to I£804,000 (£795,000) in the six months to July 28.

Turnover improved to I£12.2m (I£11.5m) generating flat trading profits of I£2m. Earnings per share worked through at 0.97p (0.55p) and the interim dividend is held at 0.5p.

Intl Inv Tst of Jersey advances

The International Investment Trust Company of Jersey had pre-tax profits of £560,000 for the six months to June 30, compared with £390,000.

Investment activities contributed £150,000 (£216,000), while the share of profits of associated companies added £176,000 (£77,000). Surplus on sale of investments was £273,000 (£131,000).

Earnings per share came out at 8p, compared with 6.2p, and an interim dividend of 7.6p is payable, up from 9.4p.

Team Aer Lingus out of examinership

By John MacManus

Team Aer Lingus, the aircraft maintenance subsidiary of Ireland's national airline, has come out of examinership after its trade unions accepted new work practices.

An examiner, the Irish equivalent of an administrator, was appointed to Team Aer Lingus two weeks ago after its parent refused to advance it any more funds following unions' rejection of proposals on more efficient work practices. The unions then reballoted members and the proposals were accepted, leading to renewed support from Aer Lingus for the subsidiary, which lost I£32m on turnover of I£86m last year.

Team Aer Lingus has started to re-employ some of the 1,138 workers – out of 1,900 – laid off since the industrial dispute began five months ago. It is not expected to return to profit for at least two years.

Cash piles can grow too big for comfort

Peggy Hollinger doubts wisdom of share buy-backs

Electricity investors have pocketed more than £750m over the last 10 months as the regional power companies have rushed to buy back their own shares.

The bonanza comes to a temporary halt next week as the last of the 12 regional electricity companies enters its closed period in advance of interim results. This means that neither the company nor its directors may deal in shares until the results are made public.

While only nine of the 12 recs have actually bought shares from investors, all have received shareholders' approval to repurchase up to 10 per cent, or more in the case of one company: Eastern, which led the way with the first buy-back in January, has permission to repurchase up to 14.9 per cent.

The companies argue that the raft of share buy-backs has been prompted by a desire to return value to shareholders. With the simple act of buying shares for cancellation, the recs are able to improve their earnings. It has been estimated that if all the recs bought back 10 per cent of their equity, the sector's earnings could improve by about 6 per cent.

This is a low risk way of enhancing value, say the recs, and of using the rapidly growing cash piles generated by the regulated businesses.

In reality, however, the cash mountains are uncomfortable luxuries as the utilities face increasing political pressure to return value not just to shareholders, but also to customers.

SG Warburg, the London broker, has estimated that the 12 recs are on their way to building a net £2.7bn cash mountain by the end of the decade.

Such pressures have also increased fears that the electricity companies could become the targets of a one-off tax, either when the National Grid is spun off next year or at a change of government.

"The regional electricity companies have been busily trying to find money to spend to get their balance sheets geared up to such a degree that it will prevent them being stuffed with debt by the government," said one analyst.

Meanwhile, shareholders were not likely to be satisfied with companies sitting on large cash piles at a time of low interest rates. Yet neither would they be happy with widespread diversification, given the poor track record that utilities have outside their core businesses.

So the question was, how best to use the cash and return value to shareholders?

Paying a special one-off dividend, or even a substantially higher one, could present difficulties. "You have to be sensitive to the public and political issues," said one industry executive. "If you paid a huge increase in dividend, what sort of reaction would that produce?"

Repurchases also allow the recs to sidestep the increased dividend problem. Eastern set another trend by increasing its dividend 20 per cent after the first buy-back. Yet because there were fewer shares in issue, the total sum paid out was no greater than the previous year. The other recs are expected to follow Eastern's suit.

However, not all the companies agree that buying back shares now is the best way to enhance value for shareholders. Three - East Midlands, Southern and Yorkshire - have chosen not to buy shares. At least two are waiting for the outcome of discussions on the future of the National Grid, the transmission company owned by the recs estimated to be worth at least £4bn.

The manner in which this is spun off could have substantial financial implications for the recs, and for shareholders: for example, in the advance corporation tax burden which the companies will have to carry in case of a distribution to shareholders. There is also the added fear that the companies could face a potential capital gains tax bill of more than £1bn on a Grid flotation. Until all the facts are known, these companies argue, it is impossible to decide on the best way to return value to shareholders.

The abstainers would also argue that some share buy-backs give the greatest benefit to a select group of investors. If the buy-backs are conducted through an agent - as in the case of the two recs who bought 10 per cent - eligible sellers could claim tax credits. While all investors would benefit from improved earnings, only a few could reclaim the credit, estimated at an average 150p a share.

Such concerns do not mean that these abstainers will stay out of the market forever. Far from it. "We have the power to do it and it is just a matter of timing," said one industry executive.

THE RECS' SHARE BUY-BACKS 1994

	Interim Results	Shares bought (m)	Price (p)*	%	Cost £m
Eastern	Dec 12	13.5	662.90	5.00	89.5
London	Dec 14	15.3	672.00	7.00	103.2
Midlands	Dec 6	21.2	725.00	10.00	153.4
Manweb	Dec 14	4.1	844.17	3.49	35.0
Norweb	Dec 8	13.5	786.41	7.82	106.2
Northern	Dec 12	12.4	814.60	10.00	100.8
Seeboard	Dec 1	13.6	429.69	5.30	58.4
Swalec	Dec 07	7.1	803.02	6.93	57.0
South Western	Dec 15	6.2	769.00	5.07	49.9

E Midlands, Southern and Yorkshire have not exercised their right to buy shares. Source: SG Warburg
* Weighted average

Northern Rock establishes indemnity insurance offshoot

By John Gapper, Banking Editor

Northern Rock, the 11th largest building society with assets of £7.2bn, yesterday announced that it had established its own "captive" company to provide mortgage indemnity insurance.

Northern Rock is the latest society to take advantage of a relaxation of restrictions by the Building Societies Commission last year. This allowed societies to own more than 15 per cent of a non-life insurance company.

Indemnity insurance protects lenders against repossession losses by making up the deficit if a property has to be sold for less than 75 per cent of its purchase price. This was common in the early 1990s.

Northern Rock's move to provide indemnity insurance through a Guernsey-based company with initial authorised capital of £8.5m comes after it switched indemnity insurance from Sun Alliance to Commercial Union last year.

The investment manager for the captive insurance company will be Kleinwort Benson (Guernsey), and it will be regulated by the Guernsey Financial Services Commission.

Owen & Robinson expands via Pro Performance acquisition

Owen & Robinson, the jewellery and sports footwear retailer, has agreed to acquire 38 leasehold outlets from SSL Retail, a subsidiary of Sears, the speciality retail and home shopping group.

Consideration will amount to a maximum of £1.06m cash, satisfied from existing resources.

The outlets operate under the Pro Performance banner, and currently sell sports clothing and equipment, as well as footwear. They will be integrated into Owen & Robinson's existing Foothold operation, raising the chain to 53 outlets and extending its presence nation-wide.

Mr Liam Strong, Sears chief executive, said the sale would reduce the group's exposure to the sports footwear market "which continues to decline" and allow it to concentrate on its Olympus offshoot.

Sears will book a loss on disposal of some £5.8m although this will be more than offset by the release of provisions no longer required.

Wates sells property

Wates City of London Properties has sold a lease on one of its prime City of London sites for £4.1m to Axa Equity and Law Investment Managers.

The 12,000 sq ft building was developed by Wates 10 years ago. Nearly half of the tenant leases expire next year, although Wates said that the principal tenant had recently extended its stay to 2009.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
BNB Resources ......Int	1.77	Nov 30	1.8	-	4.5
Cap/Regional § ......Int	0.6†	Nov 25	0.5	-	1.5
Fine Decor ......Int	2.7	Nov 25	1	-	4.7
Int IT Jersey ......Int	7.6♦	Oct 24	9.4	-	-
Ipeco ......Int	1.3	Nov 24	1.3	-	3.6
Lloyds Chemists ......fin	6.8	Dec 14	5.25	9.5	7.25
Ryan Hotels ......Int	0.5‡	Dec 15	0.5	-	1
Time Products ......Int	3.25	Jan 8	3	-	8.5

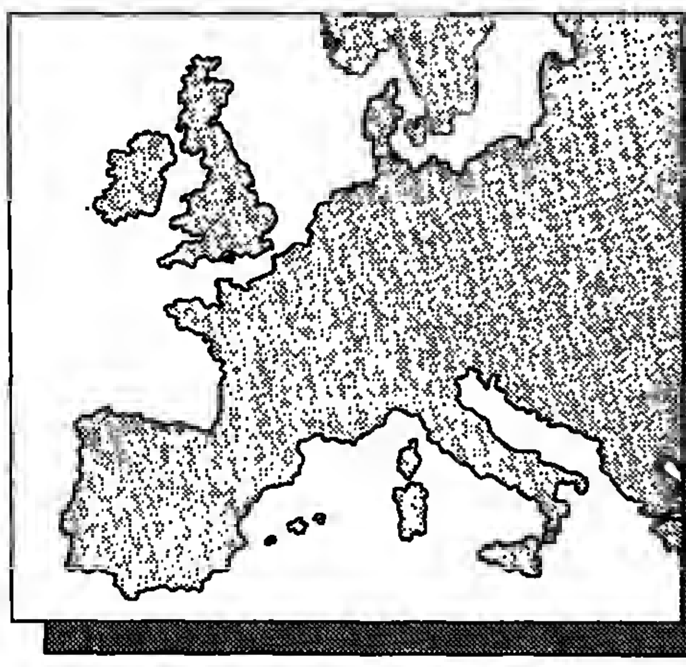
Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♦Part paid from capital reserves. ‡Irish pence.

IN BRIEF

CATTLE'S (Holdings) is selling its five travel agencies, which trade as Travelplan, to Going Places, part of Airtours. The consideration is £150,000 cash. There will be an exceptional charge of about £120,000, due to reinstatement of goodwill, in the group's results for 1994.

GRT BUS Group has received acceptances of the offers for SMT Omnibuses shares in respect of 254,000 SMT ordinary shares, representing 96.4 per cent of those in issue, and 216,000 preference shares, representing 100 per cent of those in issue. The offers have now been declared unconditional.

SCOTTISH ASIAN Investment: fully diluted net asset value rose 39 per cent, from 213p to 295.6p per participating share over year to July 31. Value had further risen to 316.2p by October 7. Attributable revenue for year amounted to £59,930 (£92,485 loss).



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ECU 450,000,000

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The Financial Times plans to publish a Survey on

Denmark

on Thursday, November 17.

54% of Chief Executives in Europe's largest companies read the FT*

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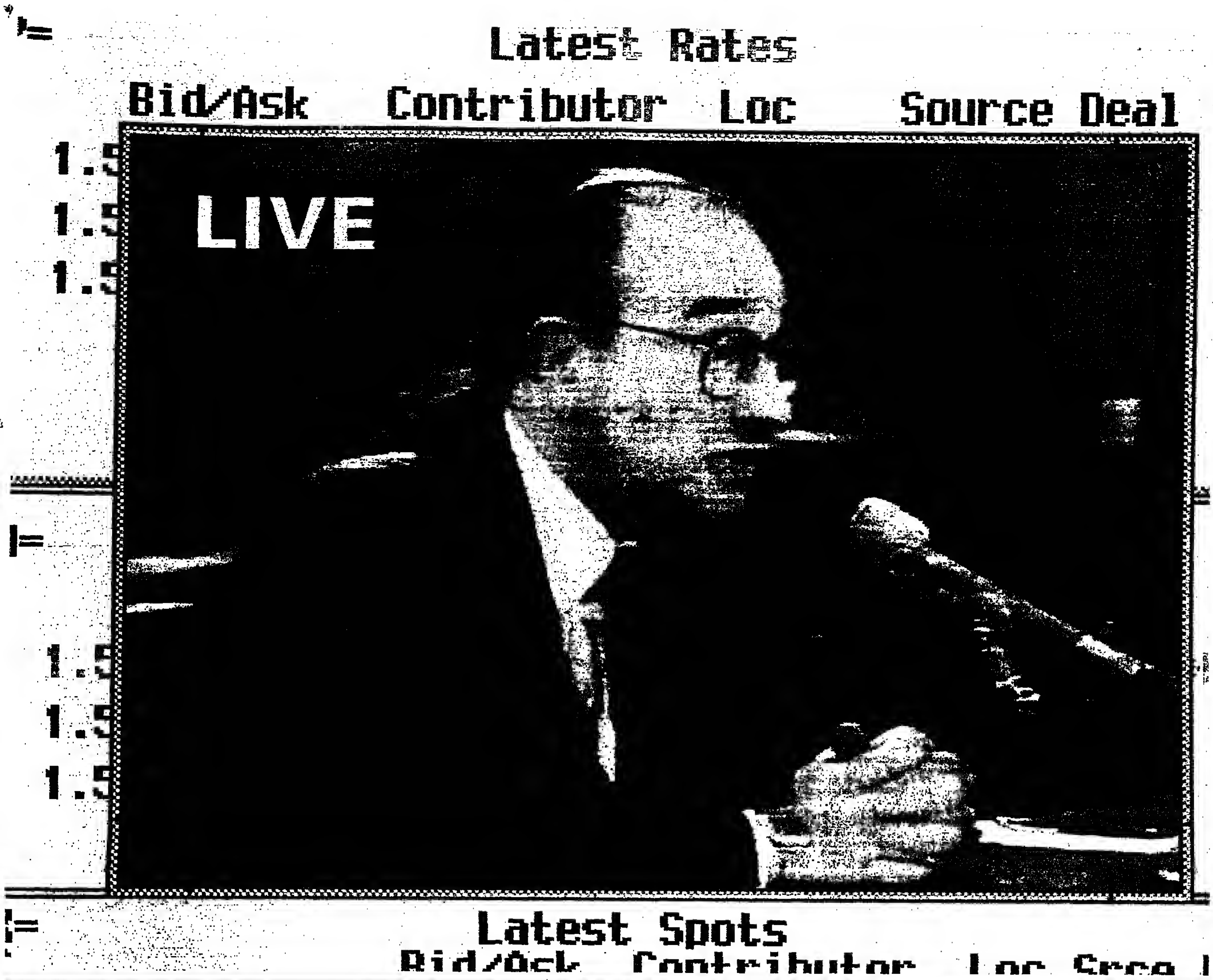
FT Surveys

* Source: Chief Executives in Europe 1990



Fed Chairman Alan Greenspan boosted dollar by announcing currency's fall was bad for U.S. economy.

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COMMODITIES AND AGRICULTURE

Magma to go ahead with Nevada gold/copper mine

By Kenneth Gooding, Mining Correspondent

Nevada is to have another copper-gold mine. Magma Copper, the Tucson-based group, yesterday gave the go-ahead for its US$300m Robinson mine near Ely in the middle of the State.

Robinson is scheduled to start up in January, 1996, and will produce 135m lb (61,252 tonnes) a year of copper, 110,000 troy ounces of gold and 325,000 troy ounces of silver for 16 years, said Mr Burgess Winter, Magma's president. Life-of-mine cash operating costs would be 50 cents a pound ($1,102 a tonne) but only 46 cents ($1,014) in the early years.

Only a week ago Megma, with a bid of about US$250m, won the closely-contested auction for Tintaya, Peru's second-largest copper mine, which was sold by the government as part of its privatisation process.

Mr Winter said at e meeting in London with the Association of Mining Analysts that the combination of Tintaya and Robinson made achievable Magma's target of producing 750m lb of copper a year at a cost below 50 cents a pound by the end of 1996 and gave it a good base for its long-term objective of producing 1bn lb at below 50 cents by the year 2000.

Robinson was until the late 1970s mined by Kennecott, the US company now part of RTZ, but was closed down because of high costs and the need for substantial capital investment. Kennecott sold the entire area to Alta Gold, a "junior" company, for $20m after a court dispute and Magma paid $58m to take it over gradually from Alta.

Mr Winter said the mine needed a new tailings (waste) dam and concentrator plant. The three existing open pits had substantial reserves around them – 252m tonnes containing 2.1bn lb of recoverable copper and 1.8m ounces of gold – and there was considerable potential to increase these reserves.

Magma had hoped to bring Robinson into production in late 1994 but was delayed by an environmental impact statement by the Nevada Bureau of Land Management. The Bureau approved the operating plan on September 9 and the 30-day appeal period expired this week.

● The copper market might face some years of oversupply before the end of the decade, warned Mr Juan Villarzu, president of Codelco, Chile's state-owned group. He pointed out that Chile's copper production was expected to nearly double from 2.2m tonnes to about 4m tonnes by the year 2000.

FSU metal use seen staying low

By Kenneth Gooding

Metals consumption in the former Soviet Union may be nearing the limit of its dramatic decline but it is not about to recovery rapidly, according to Mr David Humphreys, economist at the RTZ Corporation, the world's largest mining group.

Meanwhile, metals production in the region almost certainly had further to fall, "implying that the broadest part of the export bubble is now passed."

In any case, said Mr Humphries at a cooference organised by IBC Financial Focus, contrary to public perception, the reform process in the former Soviet Union had had a fairly limited impact on world markets for the major base metals in physical terms – "although the effect on prices has admittedly been rather greater on account of the uncertainty associated with the FSU's export behaviour". The key exception – and a big one – was aluminium.

Copper, lead and zinc consumption in the FSU had fallen by balf since 1990 while aluminium and nickel use was down by nearly 75 per cent. A revival of metals use was highly dependent on investment but this was not forthcoming because of the outlook for demand, high interest rates, and lack of investor security, as well as "the immediate political requirement to protect consumers from deprivation". But without investment if was difficult to see how metal consumption could recover.

London Metals Week

Russia's commodity exporters had been generating substantial foreign exchange earnings but this money was not being reinvested and in some cases not being returned to the economy at all.

It was not a question of waiting for a cyclical swing to prompt a restart of idled industrial capacity because much of that which was idle was obsolete or, in the case of military installations, irrelevant, and would never work again.

On the other hand, most of the FSU's metallurgical plant was serviceable even if it was neither efficient or environmentally friendly. But its mines were in extremely poor condition. So, "in the absence of substantial investment in the FSU's mines and metals sector – and soon – it is by no means impossible that when the recovery does eventually begin to bite and metals consumption starts to grow again, there will be a period in which the area will become a net importer of certain major base metals".

US maize estimate increased again

By Laurie Morse in Chicago

The size of this year's US prospective feedgrains harvest grew again yesterday, with the US Department of Agriculture now saying that the maize crop will be 9.6bn bushels, higher than trade estimates of 9.5bn, and 345m bushels more than the agancy's own forecast a month ago.

The government's estimate for soyabean production also rose, to 2.45bn bushels, from last month's 2.3bn. The report normally would have prompted a steep plunge in grain prices at the Chicago Board of Trade. However, grain futuree markets were steady to slightly higher yesterday morning as traders concentrated instead on the USDA's forecasts for much bigger export sales of grain.

"The USDA finally has some breathing room," said Mr. Joe Victor, a grain analyst with Allendale, Inc. "Last year we had prices up, but nothing to sell. This year, we've got a big crop and the USDA is saying we're going to export more of it."

The agency estimated yesterday that the US would sell 1.625bn bushels of maize overseas this crop year, and would export 740m bushels of soyabeans.

On Monday, the USDA said that 44 per cent of the US soyabean harvest had been completed, and 27 per cent of the maize crop was in. Farmers said that despite Ideal conditions, the large crop would take longer than usual to harvest.

Investment plans dim paper hopes

Capacity boosts may stall recovery, writes Christopher Brown-Humes

The disclosure last week that two of Sweden's big pulp and paper groups are planning significant new capacity investments sent shivers through a market that is just getting used to the idea that the good times are back.

Stora, Europe's biggest pulp and paper company, said it was starting design work on a new 290,000-tonnes-a-year board machine – an investment that would cost around SKr2.8bn (£240m). MoDo, meanwhile, is expected to confirm next month that it will go ahead with the construction of a SKr2.1bn newsprint machine, with a capacity of 270,000 tonnes, at its Braviken plant.

These are by some margin the biggest investments to be announced by Swedish forestry groups this year. But the news did not go down well with the market where memories of the severe downturn in the forestry cycle between 1991 and 1993 are still painfully fresh.

"Last time it was not lack of demand that drove operating rates down – it was excess capacity," says Mr Mads Asprem, forestry analyst with Morgan Stanley in London. He says much of the optimism now surrounding the industry assumes there will only be limited construction of new capacity.

The reason for this optimism is simple: prices in virtually every pulp and paper segment are on the rise and in an industry characterised by strong cyclical patterns there is every indication that the market is firmly on the road up to its next peak two or three years hence. The price of northern bleached softwood kraft pulp, the industry staple, has already reached $700 a tonne, up 80 per cent from $390 at the end of last year. Prices for fine paper, of which pulp is the major constituent, have been increased five times in 1994. Now the trend is feeding further down to the chain to newsprint and magazine paper grades where rises of 10 and 20 per cent have either been implemented or notified.

Norske Skog, the Norwegian papermaker, announced yesterday it would increase newsprint prices in the UK market by 15 per cent from the beginning of next year, writes Deborah Hargreaves. The company which has a 10 per cent share of the British newsprint market, said the increase was the minimum it could ask for to cover sharply higher raw materials costs.

Many newsprint mills are seeking to raise prices from the beginning of October, which is likely to lead to increases in general of 7 to 8 per cent this year. But the market could be pushed higher when annual negotiations with newspaper publishers open towards the end of the year, when mills will be looking to pass on costs which have doubled and even trebled this year.

Prices in continental Europe and North America are also set to increase as rebates are eliminated in a more buoyant economic climate. Newsprint prices could rise by as much as 30 per cent in the US market.

The uptnrn has been demand-driven in line with the recovering world economy. Increased volumes first boosted operating rates and are now lifting prices. In Finland, the forestry industry is effectively running flat out with an operating rate of 94 per cent, compared with 88 per cent last year.

The recovery is at an early stage and prices are still below the levels reached at the last market peak in 1989-1990. "Paper and board prices fell by 30 to 35 per cent between 1991 and 1993," notes Mr Jarl Köhler, managing director of the Finnish Forestry Industries Federation.

The pulp price reached $840 a tonne in 1989, and although most pundits believe that peak may well be scaled during the current upswing, they warn that progress is unlikely to be even. "There is a serious chance of an inventory-driven correction in the second half of 1995," says Mr Asprem.

There is also a strong possibility that companies will be unable to get the price rises they are seeking in full. For example, analysts say newsprint producers may be optimistic in hoping for a 20 per cent price increase from the start of next year. Buyer resistance could limit the rise to between 10 and 15 per cent despite stronger demand and a surge in waste paper prices.

Although Nordic forestry groups are back in profit, the turnaround has stemmed from cost-cutting, volume increases and currency factors. In the first half of this year, higher prices were only just starting to feed through to the bottom line.

There will be a more pronounced impact in the second half, although much of the gain will be offset by the recent strengthening of both the Finnish and Swedish currencies. With some segments – uncoated magazine paper, for example – prices are almost certainly going to be lower in local currency terms in 1994 than they were in 1993.

Stronger currencies are not the only worry for the Nordic producers. Their costs are going up – particularly for pulp wood, which has risen by around 15 per cent since the market trough. There is also a widespread expectation that the 1995 wage round is going to be a difficult one as employees seek their share of the sector's upturn. Finally, there is the dampening effect of high long-term interest rates.

Mr Köhler notes that every 1 per cent interest rate increase costs the Finnish forestry industry FM650m (£85m), every 1 per cent rise in the markka FM400m, every 1 per cent rise in wood costs FM120m and every 1 per cent increase in salaries FM100m. He also points out that although Finnish pulp and paper companiee will earn more than FM3bn this year, income will be well short of the "normal" FM7bn level required to cover investments, debt repayments, R & D costs etc.

A spending spree in the late 1980s and early 1990s left most of Finland's big forestry groups heavily in debt and they have been in no hurry to announce new investments this time round. Instead, the talk in the country's forestry industry has been of streamlining and mergers.

Even so, the return to profitability and low short-term interest rates are fast reducing the debt burden and the strengthening markka is cutting the cost of servicing the foreign currency element of it. It may not be long before the Finns are tempted to follow the example of their neighbours by ordering new machinery.

MARKET REPORT

Oil futures fall for second day as fears of Gulf conflict recede

OIL prices fell for the second consecutive day as chances of conflict on the Kuwait-Iraq border appeared to recede, traders at London's International Petroleum Exchange said.

At the London Metal Exchange COPPER prices turned higher in the afternoon, lifting other base metals. A firmer overnight trend in the New York market was cited as the main reason for copper's renewed strength.

London COFFEE futures were mostly higher at the close after a session marked by volatile price swings.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1636.5-7.5	1656-7
Previous	1616.5-7.5	1635.5-6.0
High/low	1630	1663/1642
AM Official	1630-30.5	1649-9.5
Kerb close		1658-9
Open int.	251,739	
Total daily turnover	36,632	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1660-70	1680-90
Previous	1650-60	1675-80
High/low		
AM Official	1660-70	1680-90
Kerb close		1680-90
Open int.	2,957	
Total daily turnover	84	

■ LEAD ($ per tonne)

Close	634.5-5.5	647-8
Previous	625-6	638.5-9.0
High/low		651/642
AM Official	631-2	645-6
Kerb close		646-7
Open int.	42,445	
Total daily turnover	4,451	

■ NICKEL ($ per tonne)

Close	6590-600	6690-700
Previous	6475-85	6580-90
High/low	6570	6710/6590
AM Official	6565-70	6675-80
Kerb close		6705-15
Open int.	73,908	
Total daily turnover	14,698	

■ TIN ($ per tonne)

Close	5235-35	5410-20
Previous	5290-300	5370-80
High/low	5296	5415/5380
AM Official	5290-5	5385-6
Kerb close		5410-20
Open int.	16,051	
Total daily turnover	3,764	

■ ZINC, special high grade ($ per tonne)

Close	1044.5-5.5	1066-7
Previous	1036-7	1058-9
High/low		1069/1059
AM Official	1037-8	1059.5-60
Kerb close		1068-9
Open int.	103,706	
Total daily turnover	17,969	

■ COPPER, grade A ($ per tonne)

Close	2511-12	2509-10
Previous	2485-6	2485-6
High/low	2498/2496	2516/2484
AM Official	2498-8.5	2497-8
Kerb close		2507-8
Open int.	222,591	
Total daily turnover	41,003	

■ LME AM Official £/$ rate: 1.5810

LME Closing £/$ rate: 1.5794

Spot:1.5515 3 mths:1.5306 6 mths:1.5775 9 mths:1.5737

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Oct	116.70	+0.70	116.85	116.70	-	-
Nov	115.10	-0.45	115.40	115.40	-	-
Dec	114.80	+0.45	115.65	114.65	-	-
Jan	114.35	+0.35	114.90	114.85	-	-
Feb	113.80	+0.25	114.35	113.75	-	-
Mar	113.40	-0.25	114.20	113.20	-	-
Total					N/A	N/A

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	388.20-388.60	
Opening	388.10-388.50	
Morning fix	388.20	245.525
Afternoon fix	387.90	245.273
Day's High	388.40-388.80	
Day's Low	387.00-387.40	
Previous close	388.00-388.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.61	6 months	4.94
2 months	4.66	12 months	5.29
3 months	4.81		

Silver Fix	p/troy oz.	US cts equiv.
Spot	348.25	550.75
3 months	353.45	558.60
6 months	359.00	566.55
1 year	372.00	584.45

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	247-250
Maple Leaf	399.10-401.60	-
New Sovereign	91-94	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	388.0	+0.4	388.0	388.0	158	152
Nov	389.1	+0.4	-	-	-	-
Dec	[illegible]					
Feb	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	[illegible]					
Jan	[illegible]					
Apr	[illegible]					
Jul	[illegible]					
Oct	[illegible]					
Jan	[illegible]					
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	[illegible]					
Dec	[illegible]					
Mar	[illegible]					
Jun	[illegible]					
Total					[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	[illegible]					
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Mar	[illegible]					
May	[illegible]					
Total					N/A	N/A

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest	Day's change	High	Low	Open int	Vol
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest	Day's change	High	Low	Open int	Vol
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest	Day's change	High	Low	Open int	Vol
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	[illegible]					
Dec	[illegible]					
Jan	[illegible]					
Feb	[illegible]					
Mar	[illegible]					
Apr	[illegible]					
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	103.45	-0.15	103.50	103.00	1,840	58
Jan	105.25	-0.30	105.55	104.90	1,962	332
[illegible]						
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) — [illegible]

■ BARLEY LCE (£ per tonne) — [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) — [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) — [illegible]

■ POTATOES LCE (£/tonne) — [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) — [illegible]

	Close	Prev
BFI	[illegible]	[illegible]

Cotton

LIVERPOOL- Spot and shipment sales amounted to 185 tonnes for the week ended 7 October against 354 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in American and CIS descriptions.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	936	-2	939	929	24,581	622
Mar	970	-4	974	962	40,616	1,265
[illegible]						
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) — [illegible]

■ COCOA (ICCO) (SDR's/tonne) — [illegible]

■ COFFEE LCE ($/tonne) — [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) — [illegible]

■ COFFEE (ICO) (US cents/pound) — [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) — [illegible]

■ WHITE SUGAR LCE ($/tonne) — [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) — [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) — [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) — [illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 12	Oct 11	month ago	year ago
2043.5	2036.5	2112.4	1583.6

■ CRB Futures (Base: 1967=100)

Oct 11	Oct 10	month ago	year ago
227.88	227.93	232.53	220.27

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	68.025	+0.800	68.200	67.500	7,987	5,411
Dec	68.875	+0.300	69.250	68.725	26,959	11,569
[illegible]						
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						
Apr	37.225	+0.250	37.300	37.150	3,416	[illegible]
Jun	42.825	+0.350	43.250	42.650	1,805	119
Aug	42.300	+0.175	42.375	42.050	270	17
Total					30,874	3,940

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.150	-1.350	40.700	39.075	8,042	909
Mar	39.125	-1.475	40.700	39.050	636	38
May	40.450	-1.200	42.000	40.350	255	17
Jul	41.150	-1.150	42.500	40.850	246	5
Aug	40.000	-1.500	40.500	39.800	58	1
Total					8,437	971

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1625	68	99	35	59
1650	55	86	47	71
1675	43	74	60	83
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2500	80	106	69	110
2550	57	85	96	138
2600	39	67	128	169
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	66	223	103	300
3650	48	206	135	333
3700	35	190	172	367
■ COCOA LCE	Dec	Mar	Dec	Mar
925	34	84	23	39
950	23	70	37	50
975	14	58	53	63
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	1	45	4	80
1700	3	26	-	92
1750	1	14	-	127

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$15.19-5.24t	-0.25
Brent Blend (dated)	$16.13-6.15	-0.21
Brent Blend (Nov)	$16.31-6.33t	-0.26
W.T.I. (1pm est)	$17.58-7.60t	-0.29

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$172-175	-1
Gas Oil	$154-155	-5
Heavy Fuel Oil	$91-94	
Naphtha	$167-168	
Jet fuel	$174-175	-3
Diesel	$157-158	-5

Petroleum Argus. Tel. London (071) 359 8792

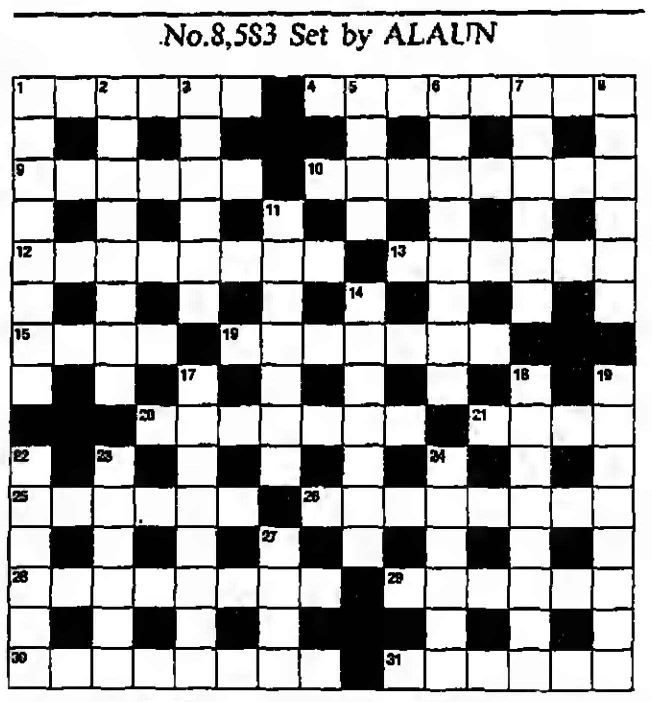
■ OTHER

Gold (per troy oz)♣	$388.40	+0.15
Silver (per troy oz)♣	561.50c	+1.00
Platinum (per troy oz.)	$417.10	+2.80
Palladium (per troy oz.)	$152.40	+2.15
Copper (US prod.)	121.0c	-1.0
Lead (US prod.)	39.15c	
Tin (Kuala Lumpur)	13.50c	-0.03
Tin (New York)	248.5c	+1.5
Cattle (live weight)†	115.49p	+0.84*
Sheep (live weight)†♦	90.35p	-0.06*
Pigs (live weight)	75.94p	+0.57*
Lon. day sugar (raw)	$302.1	
Lon. day sugar (wte)	$334.6	-2.5
Tate & Lyle export	£303.0	-4.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$132.0y	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	94.50p	-0.75
Rubber (Dec)♥	94.00p	-0.75
Rubber (KL RSS No1 Jul)	358.0	+2
Coconut Oil (Phil)§	$605.0z	+10
Palm Oil (Malay.)§	$592.5t	+5
Copra (Phil)§	$394.0u	+2
Soyabeans (US)	£158.0v	
Cotton Outlook'A' index	73.60c	
Wooltops (64s Super)	434p	

£ per tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. m-Malaysian cents/kg. y Oct/Dec. v Nov/Dec. u Oct/Nov. t Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

CROSSWORD

No.8,583 Set by ALAUN



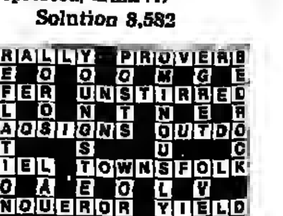
ACROSS

1 Spot, the dog, is inside safe (6)
4 As for the trials, objects for them (8)
9 A second import (6)
10 Summons into action everybody in the Scout movement (5,3)
12 Question many a one in the thriller (8)
13 Coloured disc on a chain (6)
15 Give the impression a number will get a tip (4)
16 What to do with a cold is not to go out (7)
20 With somebody else, I released the seals and other animals (7)
21 Enterprise and eoergy that get one the sack (4)
25 Goes for what giraffes always go for (6)
26 Opportunities for first-nighters (8)
28 Offering to take people to a party (8)
29 Meaning it's a trial (6)
30 Ear piercing with a small spear (8)
31 For eating, does it have to be podded and shelled? (6)

DOWN

1 Rather an unknown quantity, don't you agree? (8)
2 Calms down and makes it up (8)
3 Had contacted to smuggle the dog back (4,2)
5 Grow back (4)
6 With time, somehow learn to be forbearing (8)
7 Pries up with metal objects (6)
8 More determined to get a dog (6)
11 As the actor wrong for the role of the angler did? (7)
14 The tonics will drip out if turned upside down (7)
17 Abandoned by the French, very upset indeed (8)
18 Attacked when working (6,2)
19 That old one about the box and the madman? (8)
22 Dashing fellows, those lancers! (6)
23 He won't let you flag (6)
24 Before sunset, will come in to clinch it (6)
27 Depressed, drink (4)

Solution 8,582



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Further gains follow favourable inflation data

By Terry Byland, UK Stock Market Editor

Better statistics than expected on domestic inflation, backed up by favourable comments from the Governor of the Bank of England, brought further gains in UK shares yesterday. The confident tooe of the market was set early by the strong rise overnight on Wall Street and by an agreed bid of £478.5m from British Aerospace for VSEL, the UK nuclear submarine manufacturer.

Boosted by furtber strength in stock index futures and government bonds, the FT-SE 100-share Index broke through 3,100 within the first hour of full trading. But the market, although busy, spent the rest of the session jousting with this level, closing a shade under the day's best at 3,100.5 for a net gain of 27.5.

The UK stock market has now risen for five successive trading sessions, showing a rise of nearly 5 per cent since the middle of last week. The recovery since the beginning of the final quarter of the year has restimulated confidence that UK equities can move towards the Footsie 3,500 area before the end of December. Excellent trading results this week from leading US companies have highlighted the recovery in global economies.

Some traders believed that the market was slowing down at last night's close, as Wall Street shaded off by 3 Dow points in early trading and global markets awaited the US producer price index, due today, and US industrial production and utility capacity utilisation statistics, due on Friday.

"I would expect some kind of consolidation at these levels," said Mr Ian Harnett at Strauss Turnbull. "The Footsie's close above 3,100 will be regarded as important."

The announcement of a further dip in both the headline and underlying rates of domestic retail price inflation in September, together with a steady trend in average earnings, strengthened market bopes that basa rates can be left unchanged for the rest of the year, thus easing one of the principal concerns felt by investors towards UK equities.

Faith in the low inflation outlook was further encouraged when Mr Eddie George, Governor of the Bank of England, was reported from the US as saying that markets were exaggerating the extent of expected inflationary pressure.

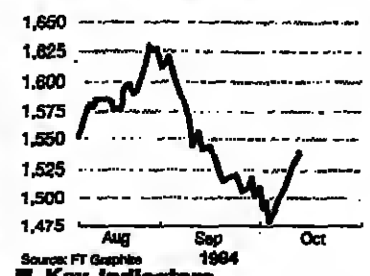
The market assumed that the British Aerospace bid for VSEL had been well cleared with all official parties before announcement, and could be safely regarded as a "done deal". A sharp gain in GEC shares indicated the stock market'a belief that it was unlikely to contest the bid. However, the share price of VSEL, now effectively related to the BAe stock price, which was also strong yesterday, edged above the share exchange offer terms.

The FT-SE Mid 250 Index advanced 28.4 to 3,535.3, keeping pace with the blue chip market and suggesting that interest in the second line issues might be returning. Non-Footsie business made up around 56 per cent of the day's Seaq total of 732.4m shares, a welcome improvement from the 662.3m of the previous session.

The strong advance in the Footsie index was again achieved without much contribution from the leading oil issues, which have so far refused to be over-excited by the developments on the Kuwait border. Dollar stocks in general remained very firm, although the pace slackened when Wall Street opened the new session on the downside. Short term trends in London are expected to depend on the performance of the New York market over the next two sessions.

The insurance sector continued to make progress and the banking and retail areas drew confidence from the calming of interest rate worries. Tha improved tone on Wall Street and in the UK and continental European securities markets was reflected in a gain in shares of Reuters, the global financial information group.

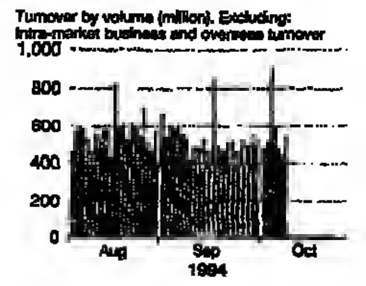
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3100.5	+27.5	FT Ordinary index	2382.0	+24.2
FT-SE Mid 250	3535.3	+28.4	FT-SE-A Non Fins p/e	16.94	(18.78)
FT-SE-A 350	1554.1	+13.4	FT-SE 100 Fut Dec	3114.0	+12.0
FT-SE-A All-Share	1539.72	+12.99	10 yr Gilt yield	8.70	(8.79)
FT-SE-A All-Share yield	3.81	(3.94)	Long gilt/equity yld ratio:	2.23	(2.24)

Best performing sectors

1. Building Matls & Merch .... +2.1
2. Life Assurance .... +1.6
3. Electronic & Elect Eq .... +1.8
4. Telecommunications .... +1.5
5. Engineering, Vehicles .... +1.5

Worst performing sectors

1. Tobacco .... -0.6
2. Oil Exploration & Prod .... +0.0
3. Printing, Paper & Pack .... +0.1
4. Retailers, Food .... +0.1
5. Electricity .... +0.1

VSEL up on BAe bid move

British Aerospace raced ahead following the announcement of the long awaited agreed bid for submarine maker VSEL, with analysts taking a favourable view of the trading, balance sheet and fiscal implications of the proposed takeover.

The stock advanced throughout the day in heavy volume to close 12 higher at 471p on a turnover of 12m shares. VSEL finished at 1310p, up 85 on the day and 15 above the notional value of the share exchange portion of the offer.

Analysts felt that the takeover was Defence Ministry driven. By yesterday afternoon, speculation on the possibility of a potential counter-bid had begun to flag, although in some quarters GEC was still being promoted as the most likely potential rival to British Aerospace.

If it goes ahead, the deal stands to widen BAe's defence capability and bolster its balance sheet. VSEL brings in net cash of £288m plus tax benefits that allow profits to roar through to BAe effectively tax free in both 1995 and 1996.

Telecoms busy

The telecoms area attracted the most concentrated activity in the market, with turnovar in the top three stocks, BT, Cable and Wireless and Vodafone, totalling 37m shares.

There was also keen support for the two classes of Securicor stock and Security Services. Securicor/Security Services hold a 40 per cent stake in Cellnet, the cellular phones group in which BT has a 60 per cent shareholding.

Dealers said the sector had been boosted by recent speculation of a demerger of Cable and Wireless's Mercury telecommunications business, which includes its highly successful One-2-One digital cellular phones business.

Any demerger of Mercury is expected to attract strong demand in the stock market and could trigger a rerating of the other cellular companies. It was also said that BT might launch a pre-emptive strike to acquire the Securicor minority holding in Cellnet in the event of a Mercury demerger.

C&W, also helped by the expansion of HK Telecom in China, rose 6 to 421p, while BT settled a penny higher at 396½p. News of a joint venture in France with Generale des Eaux and Southwestern Bell helped to drive Vodafone 12½ ahead to 217p. Securicor ordinary rose 18 to 1463p, the "A" stock 36 to 936p and Security Services 35 to 780p.

BAT easier

Tobacco and insurance conglomerate BAT Industries was one of the few weak spots as one house apparently discovered that the cost to the company of this year'a Los Angeles earthquake was far greater than previously expected.

UBS spoke to Farmers, the BAT subsidiary which is one of the largest insurance groups in the US, and established that claims resulting from the earthqoake had rocketed to $150bn from $120bn, thus draining the capital available for writing new business.

The securities house has had the stock as a trading buy for the past couple of months. However, the latest news has prompted consideration of a return to its fundamentally bearish stance. There is also concern that BAT will have to carry out buge capital investment in order to cope with the potential demand for cigarettes in newly opened markets such as Eastern Europe. The worries were voiced at the UBS afternoon meeting and the stock hit 443p before rallying with the market to close 2 off at 448p.

Gas caution

British Gas was the most heavily traded stock in the FT-SE 100 Index and the second most active stock option as a big two-way pull developed in the shares. They underperformed tha market, closing only a fraction higher at 302½p on volume of 15m; turnover in the traded options totalled the equivalent of a further 3.3m shares.

Specialists said the market had begun to reappraise British Gas's recent statements on dividend strategy after a lunch held on Tuesday between Gas and a number of leading analysts. The majority of analysts increased their dividend forecasts for Gas following the big strategy presentation held in London at the end of September. A number of favourable regulatory decisions bave enabled Gas to outperform the market by 13 per cent since June.

Burmah Castrol jumped 16 to 855p ahead of the trip by analysts to the group's lubricants operations in Thailand and Vietnam at the end of the month.

Barclays was restrained by news that Kleinwort Benson had taken the shares off its buy list, downgrading tbe stock to a hold. The stock price edged up only a penny to 563p. National Westminster dipped 5½ to 497p ahead of figures expected today from US subsidiary NatWest Bancorp.

HSBC raced up 16 to 726p, with Swiss Bank Corporation said to have been an aggressive buyer of the stock. Insurance brokers made further rapid progress after broker buy notes and talk of potential bid moves. Willis Corroon added 4½ at 165½p and Lloyd Thompson 15 at 176p.

Drinks group Matthew Clark tumbled 36 to 589p after it announced a £109m acquisition of rival Gaymer Group, and a £64.6m rights issue to help fund the deal. However, market watchers welcomed the deal.

A clutch of brokers' recommendations supported Unilever, the shares closing 8 ahead at 1130p. The prospect of increased competition in tha snack foods business, together with unconfirmed rumours of a negative broker's note, left shares in United Biscuits 3 lighter at 309p.

Storehouse improvad 6 to 208p, boosted by a profits upgrade and recommendation from UBS. The securities house raised its current year profits estimate by £5m to £90m and said: "Trading seems to have gathered pace at Storehouse in the last couple of months."

High street retailer Lloyds Chemists forged ahead 16 to 299p after posting a sparkling set of full-year figures which revealed a 17 per cent increase in profits to £58.3m, and a 31 per cent rise in the dividend.

The favourable sentiment in Lloyds Chemists spread to Boots, which climbed 13 to 525p. UBS reiterated its buy recommendation on the stock, pointing to good prospects for the healthcare market.

Overnight selling in the US on Tuesday hit ICI, whose shares closed 2 lower yesterday at 814p.

Amersham International surged a further 52 to 995p on consideration of the company's Japanese deal announced earlier in the week.

Arjo Wiggins Appleton, the paper maker, slipped 4 to 258p on disappointment that it had failed to secure a portion of SD Warren, one of the dominant US players in the sector. Warren was snapped up by Sappi, of South Africa, for $1.6bn.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (22).
BLDG MATLS & MCHTS (1) Alumasc. CHEMICALS (1) Coofiex. DISTRIBUTORS (1) REA. ELECTRNC & ELECT EQUP (3) Mitsubishi, Nokia Corp. Prf., Telepac. ENGINEERING (2) 600 Group, VSEL Consortium. EXTRACTIVE INDS (3) Elandsrand, Gencor, Willoughbys' Cons. Plc. INVESTMENT TRUSTS (2) INVESTMENT COMPANIES (1) Mauritius Fund. LEISURE & HOTELS (2) David Lloyd, Jurys Hotel. MEDIA (1) Elsevier. RETAILERS, GENERAL (1) Fired Earth. SUPPORT SERVS (1) Manpower Inc. TELECOMMUNICATIONS (1) Vodafone. TRANSPORT (3) Applied Distribution, GRT Bus, Go-Ahead.
NEW LOWS (28).
GILTS (1) BANKS (2) ANZ, Espirito Santo Financial. BLDG MATLS & MCHTS (1) Capa. CHEMICALS (1) Kalon. DISTRIBUTORS (1) Quicks. ELECTRNC & ELECT EQUP (3) Control Techniques, Gestetner, VideoLogic. ENGINEERING (3) Hunting, Meggitt, Senior. ENG. VEHICLES (2) Motor World, Select Inds. EXTRACTIVE INDS (1) Rackwood. FOOD MANUF (1) Continental Foods. HEALTH CARE (1) Biocure. INVESTMENT TRUSTS (4) MEDIA (1) Phonelink. MERCHANT BANKS (1) Barings 8pc 2nd Prf. OIL EXPLORATION & PROD (1) Copley Resources. OTHER FINANCIAL (1) Towry Law. OTHER SERVS & BUSNS (1) Landau. PRTNG, PAPER & PACKG (1) Somic. PROPERTY (3) CLS, Conrad Ritblat Sinclair Goldsmith, Power Corp. RETAILERS, GENERAL (3) Cartons, Country Casuals, Flying Flowers. TEXTILES & APPAREL (2) Hollas, Parkland.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved ahead for the fifth day running but trading was at times unsure of direction and the market closed short of its best levels, *writes Jeffrey Brown.*

The FT-SE 100 December contract ended the day 12 points higher at 3,114, having touched 3,127 in mid-afternoon. The cash market premium was 13.5 points with the fair value premium standing at around 15 points.

Trading was fitful, moving in bursts in both directions. There was a bit less activity than on Tuesday but trading volume ran to 13,702 contracts, down from 14,793.

Both locals and market makers were equally active, and traders said there were even occasional flashes of institutional business, although much of this was said to be the unwinding of short positions.

Tha premium to the cash market fluctuated widely, moving out at times to 30 points. Traders said some arbitrage business was undertaken, notably by NatWest Securities.

Traded options were also active with volume rising to 48,750 lots from 43,990 in tha preceding session. FT-SE and Euro FT-SE volume accounted for 19,900 lots.

HSBC were the busiest individual stock options with 3,824 lots dealt. British Gas traded 3,329 lots. Kingfisher and NatWest Bank were also active.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3097.0	3114.0	+12.0	3127.0	3095.0	15008	55577
Mar		3136.0	+12.0			0	2920

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3555.0	3552.0	+7.0	3556.0	3540.0	51	4208

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3552.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3098) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Oct	203½	2	156½	3	110	7	67½	15½	34½	34	14	64	5	104½	1½	153
Nov	224	14½	181½	22	141½	31½	105½	45	75½	68	52	93	34	125½	21	164
Dec	240½	27½	200	38	165	52	131½	69	102½	90½	77½	116	58½	144½	40	179
Jan	260½	39½	224½	52	188	65½	157	83½	127	103½	101½	128½	81	158	61	189½
Jun†	322	74			258½	106½			198	145			149½	188½		

Calls 8,327 Puts 6,348

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Oct	178½	2½	130½	4½	86½	11	49½	23½	23½	47½	9	82½	3	125½	1	174½
Nov	200½	16	160½	25	123½	38½	91½	55½	66	78½	42½	106	28½	140	15½	178
Dec	217½	30½	179½	42	146	58	114½	76	87½	98½	64	124½	43½	153½	28	188½
Mar	268	60½			201	91			144	131½			97½	182½		
Jun†	307½	81½			243½	113			185½	151			137	198		

Calls 1,647 Puts 1,540 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct			152¾ 69½	124¼ 90⅝	98⅝ 115⅜			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Oct 12	Day's chge%	Oct 11	Oct 10	Oct 7	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3100.5	+0.9	3073.0	3032.3	2998.7	3080.9	4.08	7.01	16.85	107.39	1175.14
FT-SE Mid 250	3535.3	+0.8	3506.8	3482.8	3447.5	3468.3	5.54	5.78	20.95	104.60	1515.51
FT-SE Mid 250 ex Inv Trusts	3530.5	+0.8	3501.7	3478.0	3441.4	3475.8	3.70	6.23	19.50	106.91	1313.80
FT-SE-A 350	1554.1	+0.9	1540.7	1522.5	1505.9	1540.0	3.95	6.72	17.64	52.08	1204.56
FT-SE SmallCap	1791.14	+0.5	1781.63	1773.29	1771.94	1783.38	3.30	4.92	25.48	47.28	1392.14
FT-SE SmallCap ex Inv Trusts	1759.82	+0.5	1750.92	1743.68	1743.68	1773.94	3.51	5.47	23.23	48.95	1371.73
FT-SE-A ALL-SHARE	1539.72	+0.8	1526.73	1509.48	1494.18	1526.24	3.91	6.60	18.03	50.86	1213.86

■ FT-SE Actuaries All-Share

	Oct 12	Day's chge%	Oct 11	Oct 10	Oct 7	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2747.05	+0.4	2734.89	2713.11	2685.61	2346.20	3.35	4.98	25.38	81.46	1105.63
12 Extractive Industries(4)	4016.21	+0.2	4008.27	3975.78	3931.38	3101.30	3.20	5.11	24.20	98.62	1108.24
15 Oil, Integrated(3)	2697.87	+0.5	2683.29	2659.58	2633.88	2312.90	3.50	5.57	22.34	85.60	1109.63
16 Oil Exploration & Prod(11)	1812.09	.....	1912.18	1915.02	1890.64	1917.00	2.17	‡	‡	38.03	1106.30
20 GEN MANUFACTURERS(267)	1884.50	+1.1	1873.38	1860.34	1842.70	1904.10	4.02	5.05	24.03	66.34	967.82
21 Building & Construction(33)	1088.69	+1.2	1076.11	1033.78	1018.55	1152.40	3.62	5.08	26.90	34.20	856.40
22 Building Matls & Merchs(32)	1849.21	+2.1	1811.76	1791.87	1783.72	1843.70	3.68	5.11	23.82	66.65	875.71
23 Chemicals(23)	2342.55	-0.6	2329.07	2317.95	2305.24	2207.50	3.95	4.41	28.36	79.58	1036.53
24 Diversified Industrials(16)	1797.74	+0.6	1782.95	1780.64	1752.39	1964.20	5.09	5.16	23.27	82.75	824.58
25 Electronic & Elect Equip(34)	1933.71	+1.8	1902.83	1889.12	1878.14	2170.40	3.89	6.52	18.28	60.65	947.40
26 Engineering(71)	1820.60	+1.2	1798.34	1786.54	1772.48	1676.10	3.13	4.90	24.11	47.30	1041.53
27 Engineering, Vehicles(12)	2264.00	+1.5	2231.03	2229.09	2186.07	1881.90	4.42	1.46	80.00†	74.27	1096.46
28 Printing, Paper & Pckg(26)	2797.71	+0.1	2795.81	2778.42	2763.18	2447.90	3.07	5.35	21.84	73.24	1101.98
29 Textiles & Apparel(20)	1634.73	+1.0	1618.93	1607.64	1595.24	1615.90	4.12	6.59	18.61	48.48	824.11
30 CONSUMER GOODS(97)	2736.27	+0.7	2716.59	2683.26	2669.18	2740.20	4.35	7.34	15.75	108.20	945.46
31 Breweries(17)	2204.41	+1.1	2180.13	2154.17	2151.36	2032.80	4.29	7.80	15.56	61.10	987.52
32 Spirits, Wines & Ciders(10)	2817.56	+0.7	2798.94	2759.48	2754.84	2604.10	3.96	6.89	15.70	101.23	948.35
33 Food Manufacturers(23)	2286.18	+0.6	2271.81	2260.72	2240.75	2318.50	4.24	7.69	15.14	61.56	963.13
34 Household Goods(13)	2358.80	+1.5	2324.73	2291.82	2285.61	2580.60	3.85	7.70	15.54	57.31	842.62
36 Health Care(21)	1611.48	+1.2	1592.71	1583.43	1574.52	1697.20	3.18	3.34	42.04	48.24	936.66
37 Pharmaceuticals(12)	3013.28	+1.0	2983.56	2942.81	2943.75	3125.40	4.37	7.11	16.28	125.16	964.13
38 Tobacco(1)	3754.12	-0.6	3775.09	3699.59	3596.92	3677.50	5.78	9.16	11.73	217.07	856.34
40 SERVICES(220)	1909.90	+0.9	1891.83	1877.57	1862.96	1887.70	3.24	6.38	18.80	50.87	939.21
41 Distributors(30)	2647.42	+0.3	2640.60	2528.77	2498.66	2671.70	3.66	7.16	16.45	82.76	886.37
42 Leisure & Hotels(25)	2081.14	+0.8	2064.81	2046.06	2024.82	1936.60	3.36	4.77	24.65	57.52	1028.85
43 Media(30)	2819.80	+1.2	2785.70	2770.45	2755.72	2526.50	2.46	5.32	21.90	69.28	981.08
44 Retailers, Food(16)	1711.74	+0.1	1710.27	1693.32	1694.18	1703.10	3.78	9.31	13.28	51.78	1024.95
45 Retailers, General(45)	1640.04	+1.3	1619.11	1604.86	1594.19	1684.00	3.22	6.62	18.74	43.25	877.77
48 Support Services(41)	1493.26	+0.5	1485.17	1477.25	1467.64	1622.00	2.82	6.47	18.23	32.58	908.25
49 Transport(16)	2261.42	+1.8	2226.65	2215.46	2170.58	2292.20	3.72	5.60	20.70	69.28	888.06
51 Other Services & Business(8)	1250.60	+0.3	1246.27	1239.93	1241.46	1202.60	3.74	2.34	75.29	25.82	1074.35
60 UTILITIES(36)	2435.35	+0.7	2418.46	2380.94	2343.25	2494.60	4.32	7.71	15.78	73.42	938.10
62 Electricity(17)	2455.09	+0.1	2452.66	2447.75	2420.03	2130.80	3.73	10.02	11.91	83.48	1020.98
64 Gas Distribution(2)	2004.93	+0.2	2001.48	1983.18	1929.60	2174.80	5.96	‡	‡	66.79	815.27
66 Telecommunications(4)	2086.81	+1.5	2056.32	1992.14	1965.40	2206.00	5.96	7.54	18.15	50.22	889.90
68 Water(13)	1875.78	+0.2	1871.78	1861.98	1820.11	1955.60	5.18	12.81	8.64	69.35	937.69
69 NON-FINANCIALS(638)	1663.69	+0.8	1649.78	1633.47	1616.32	1633.91	3.86	6.34	18.94	53.66	1178.11
70 FINANCIALS(104)	2178.36	+0.8	2168.61	2115.91	2083.59	2284.80	4.44	8.05	12.85	87.20	865.95
[illegible]											

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,600	325	+3
ASDA Group†	5,500	62½	+1
Abbey National†	2,600	411	+2
Albert Fisher	184	44	
Allied Domecq†	898	580	+3
Anglian Water	836	545	+4
Argos	967	318	+1
Argyll Group†	2,800	265	+2
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	1	3
Other Fixed Interest	11	0	3
Mineral Extraction	65	49	82
General Manufacturers	223	56	359
Consumer Goods	63	25	99
Services	161	46	318
Utilities	22	14	8
Financials	151	42	172
Investment Trusts	236	3	226
Others	70	10	27
Totals	1,039	248	1,296

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 10	Expiry	January 12
Last Dealings	October 21	Settlement	January 26

Calls: Aminex, Arcon Intl, Magnum Power, Tadpole Tech, Tullow Oil, VideoLogic. Puts: Lloyds Chemists. Puts & Calls: Magnum Power.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
160	Nil	17/10	9pm	2pm	Jermyn Inv.	2pm	
500	Nil	18/10	52pm	24pm	Reckitt & Colman	46pm	+11
245	Nil	9/11	25pm	10pm	UniChem	25pm	+9
75	Nil	14/11	5pm	3pm	World of Leather	3pm	

FINANCIAL TIMES EQUITY INDICES

	Oct 12	Oct 11	Oct 10	Oct 7	Oct 6	Yr ago	*High	*Low
Ordinary Share	2382.0	2357.8	2336.9	2310.4	2308.1	2333.2	2713.6	2240.6
Ord. div. yield	4.33	4.37	4.41	4.46	4.46	3.99	4.61	3.43
Earn. yld. % full	6.17	6.23	6.28	6.43	6.45	4.63	6.51	3.82
P/E ratio net	18.65	18.48	18.32	17.83	17.59	27.21	33.43	18.94
P/E ratio nil	18.16	18.01	17.86	17.43	17.38	26.09	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2363.6	2367.5	2369.5	2376.1	2373.8	2376.4	2376.9	2375.1	2378.8	2382.0	2362.4

	Oct 12	Oct 11	Oct 10	Oct 7	Oct 6	Yr ago
SEAQ bargains	27,658	23,970	22,921	20,374	20,425	29,095
Equity turnover (£m)†	-	1291.8	1022.0	1420.5	1202.8	1506.7
Equity bargains†	-	26,429	28,909	24,606	23,637	32,372
Shares traded (m)†	-	543.3	440.7	474.2	595.2	566.7

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

[illegible]

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday For further information please call:

Gareth Jones on +44 71 873 3779
Andrew Skarzynski on +44 71 873 4054

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£20⅜	-¼	£25⅛	£19⅜	6,179	5.4	ф
ANZ A$		177	-1	278¼	177	2,355	5.3	27.1
Abbey National	†N□	411xd	+2	529	380¼	6,392	4.7	13.0
Allied Irish I£	‡†N□	253	+7	314	233	1,686	5.0	9.7
Anglo Irish I£	MN□	55	...	*70	50	169.3	7.8	10.8
Asahi Y	□	730	+11½	£16¼	628	18,942	0.6	ф
Banco Bil Viz Pta	□	£15⅜	-⅛	£18⅞	£14⅞	3,982	5.3	6.9
Banco Sant Pta		£28⅛	...	*£30½	£23⅞	4,260	5.1	9.8
Bk Ireland I£	‡□	283	+5	*319	246	1,337	4.0	8.2
Bank Scotland	‡†N□	203½	-1½	247	172¼	2,374	3.3	16.5
9¼pc Pf		112	+¼	141½	111	112.0	10.3	-
9¾pc Pf		117½	+¼	148½	116	117.2	10.4	-
Barclays	‡†N□	563xd	+1	640	487	9,105	3.7	16.8
Dai Ichi Kan Y	□	£11⅞	+⅞	£12⅜	£10⅞	35,626	0.5	-
Deutsche DM	□	£283⅛	+1⅞	£344¼	£270⅞	13,971	2.3	-
Espirito Santo	□	£8⅛	-⅜	*£13⅜	£8⅛	179.3	4.5	4.2
First Nat Fin	N□	31	+1	*80	60	119.8	2.0	-
0.3pc Cv Pf		73	...	*90	73	4.91	10.8	-
7pc Cv Pf		131½	...	131	123	62.4	6.7	-
Fuji Bank Y	□	1411	-27½	1849¼	1152½	40,873	0.4	ф
HSBC HK	†N□	746xd	+17	1133	680	13,055	4.1	10.8
HSBC (75p Shs)	†N□	728xd	+16	1113	650	6,178	4.2	10.5
Lloyds	†N□	585xd	+8	660	519	7,318	5.1	11.1
Mitsubishi T	□	£16⅞	+⅞	£18⅜	£15⅜	46,879	0.3	ф
Mits Tst & Bk Y	□	958½	+23¼	1162¼	687¼	11,461	0.5	15.2
Mitsui Tst & Bk T	□	747½	+16¼	878	514	8,855	0.7	25.2
Nat Aust A$	‡	485	+4	630¼	477	6,492	5.7	10.4
NatWest	†N□	497	-5½	622	421	8,385	4.9	9.2
Ottomane FFr		£21¼	-¼	£33	£21¼	108.8	8.7	ф
Ryl Bk Scotland	‡†N□	413	+6	528	377½	3,308	3.6	18.7
Sakura Y	□	£8¼	+⅛	£9⅞	£8⅛	27,298	0.7	51.0
Sanwa Y	□	£13⅞	+⅞	£15⅜	£11⅞	37,757	0.4	-
Standard Chartd	†N□	272xd	+3	*359¼	223	2,619	2.9	0.3
7 3/8pc Prf		83⅛	...	108¼	82¼	83.8	11.0	-
Sumitomo Y	□	£12⅞	+⅞	£16⅛	£11½	37,948	0.4	25.8
Sumitomo Tst Y	□	937½	+30	1146½	635	11,661	0.6	ф
TSB	†N□	319	-1	291	197	3,352	4.6	11.0
Tokai Y	□	67⅜	+⅞	69	£5⅜	16,210	0.7	50.0
Toyo Tst & Bk Y		315¼	+6¼	652	586¼	5,625	0.7	63.4
Westpac A$		315	...	260	194	3,913	2.5	ф
Yasuda Tst Bk Y	‡□	583¼	+24¼	658	442	6,219	0.9	49.9

BREWERIES

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	1¼	...	10¼	1½	6.90	-	-
Bass	†N□	537½	+1½	619	485	4,802	4.9	14.1
Boddingtons	†N□	251xd	+1	288	250	304.5	4.1	13.5
Burtonwood	N	187	+1	190	168	38.9	3.3	15.0
Eldridge Pope A	‡†N	187	-1	181	142	32.5	2.7	23.2
Fosters A$		66	-1	66	46¼	1,802	5.0	ф
Fuller S1A	‡N	380	...	493	380	77.2	2.8	15.7
Gibbs Mew	‡N	449	...	*469	348¼	47.9	3.4	ф
Greenalls	‡†N□	416	-1	611	399	689.4	3.0	15.9
Greene King	N□	521	+1	584	452	220.4	3.1	14.5
Grosvenor Inns	‡N	143	+1	*189	124	19.0	4.2	ф
Hall Lh	†N	3650xd	...	3773	3125	109.5	1.7	20.5

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	—	£30	£13½	1,923	2.5	21.8
Barlow	Z	941¾	—	951¾	531¾	914.1	6.7	–
Gold Flds Prop R		113xa	—	128	75	12.1	7.8	ϕ
MK Props.	z	85	—	85	65	2.82	12.6	ϕ
SASOL	♥	541	—	541	380	3,078	2.6	–
SA Brews		£12¾	—	£15¼	818	3,683	2.1	20.9
Tiger Oats	†	813	—	838	538	821.8	2.8	12.8
Tongaat-Hulett	b	588	—	*610½	360¼	845.9	2.1	16.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- \- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
ß Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

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BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

Prices for dealing October 11

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 0101 809 292 2760

Newport Investment Management
73 Front street, Hamilton, Bermuda

Newport SelectPlus Fund Ltd

Newport International Management

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 292 8370
Orion Oct 10 $- 20.85

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey CI 0481 710851

Adams & Neville Fd Mnmgt (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd
PO Box 211, St Peter Port, Guernsey 0481 720321

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd
PO Box 250, St Peter Port, Guernsey

Guinness Flight International Accum Fund (Daily)

Global Strategy Fund (Daily)

Hambros Fd Mngrs (CI) Ltd
PO Box 255, Guernsey 0481 715454

Kleinwort Benson Intl Fd Mngrs Ltd
PO Box 44, Guernsey, CI

*Offer price inclusive of maximum preliminary charge

Lazard Freres Asset Management (CI) Ltd
PO Box 275, St Peter Port, Guernsey, CI 0481 710461

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

Lloyds Intl Money Market Fund Ltd
0481 724983

Lloyds Bank Fund Managers (Guernsey) Ltd

Dealing daily

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 0481 722663

Prudential Fund Managers (Guernsey) Ltd
Po Box 01, St Peter Port Guernsey

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 0481 723021

Latest Fund Prices 24hr service 0481 710043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 0481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 0481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Belinvest Management (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

Hauteville Fund Managers (Guernsey) Ltd

Havelet Throgmorton Mngmt Ltd

Investment Portfolio Svs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

*Offer price inclusive of maximum preliminary charge

Lazard Fund Managers (CI) Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Five Arrows International Equity Funds

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

Wells Fargo Nikko Inv Adv Gsy Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd
80 Harcourt Street, Dublin 2 010 3531 7002400

BT Global Assets Fund

BT International Investment Series

Baring International Fd Managers (Ireland) Ltd
IFSC Hse, Custom Hse Docks Dublin

Courts & Co Fund Managers Limited
18 Dawson Street, Dublin 2, Ireland 010 3531 6622874

Dresdner Intl Management Services Ltd
La Touche House, IFSC, Dublin 1 010 3531 6701444

Dunedin Unit Trust Managers (Ireland) Ltd
60 Harcourt Street, Dublin 2 010 3531 7062400

Federated International Funds Plc (u)
18 Dawson Street, Dublin 2

GAM Fund Management Ltd (u)

GT Asset Management (Ireland) Ltd

Morgan Grenfell Emerging Markets Fund Plc (u)

Morgan Grenfell Investment Funds Ltd (u)

Old Mutual International Fd Mngrs (Ireland) Ltd

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd (u)

Singer & Friedlander Inv Funds Ltd (u)

Singer & Friedlander Inv Funds Ltd - Contd.

Swiss Life Investment Fund - Proteus (u)

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Growth Fund Plc

BT Fund Managers (Ireland) Ltd (u)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Chemical Ireland Fund Administrators Ltd

Citizens Investment Trust Mngt Company

For Dresdner Intl Mgt Services see Ireland (SIB Recognised)

For Dunedin see Ireland (SIB Recognised)

Dynamic Pacific Portfolio Fund Plc

Emerging Dynamic Fund Plc

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (u)

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Galacorp Ireland Limited

Hambros Fund Managers (Ireland) Ltd

Kline Yield Korea Fund Plc

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Derivative Products Fd Plc

Kleinwort Benson Capital Mngt (Ireland) Ltd

Korea CB Fund Plc

Korea Capital Growth Fund

Korea Sprint Fund Plc

Korea Sunrise Fund

For Morgan Grenfell Emg Mkts Fd Plc see Ireland SIB

Morgan Grenfell Fixed Income Funds Plc

Morgan Grenfell Profunds Plc

Old Mutual International Ltd

Orient Balanced Fund Plc

Paine Webber Offshore Funds Plc (u)

Paribas Asset Management (Ireland) Ltd

J. Rothschild International Assce

Bank of Ireland - Contd.

Citi Fund Managers (IoM)

Ulster Bank Investment Services

Value Express Fund Plc

Yellow Sea Investment Company PLC

Yuki Korea Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1000)F

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

AXA Equity & Law Intl Fund Mgrs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

IBI Managers (IoM) Ltd

R & H Fund Managers Ltd

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd (0900)H

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Mngrs Intl Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI) Ltd

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Concerto Ltd

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Lenworld Financial Services Limited

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Northgate Unit Trt. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Management) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Abtrust Fund Mngrs Luxembourg SA (u)

American Phoenix Investment Portfolios (u)

BAII Intermarket Fund

Bank Von Ernst & Cie AG

Commercial Union Luxembourg SA - Contd.

Creswale Group (u)

DB Investment Management SA

Den norske Bank

Dias Income Fund

Dolphin Intl Investments (u) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Eagle Star - Global Assets Fund (u)

Eigleton Global SICAV (u)

EquiFund-Wright National Eqty Fd (u) (x)

Fidelity Funds (u)

Fleming Group

Foreign & Colonial Emerging Markets Ltd (u)

Frontrunner (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

Henderson Management SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

INVESCO International Limited (u)

Jupiter Tyndall Global Fund

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (u)

Liberty ALL-STAR World Ptflo-Eqty Fd(u)

Lloyds Bank Luxembourg

Lloyds Bank Luxembourg - Contd.

Midland Intl Circuit Fund SICAV(u)

Nomura Global Fund (u)

PRICOA Worldwide Inv Portfolio Sicav (u)

Regent Global Fund (u) (z)

S-E-Banken Luxembourg SA

Sarasin Investment SICAV (u)

Schroder International Selection Fd (u)

Scottish Equitable Intl Fund SICAV (u)

Sun Life Global Management (Lux) SA

Templeton Global Strategy Funds

Thornton Investment Management Ltd

S.G. Warburg Asset Mngmt Lux SA

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Prices quoted are "A" shares

Alliance Capital

*Offer price depends on jurisdiction

Asian Development Equity Fund

Atlantas Sicav

BAII Intermarket Fund

BAII (Interportfolio)

BCL Currency Fund SICAV

Banque Ferrier Lullin (Lux) SA

Banque Indosuez Luxembourg

Banque Paribas Luxembourg

Banque Scandinave En Suisse

CB Fund International (u)

CSFB Umbrella

Capel-Cure Myers Intnl Fd Sicav (u)

Citicorp Investment Mgmt (Luxembourg) SA

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	Bid Price	Offer Price	+ or -	Yield Gross
Clan European Asset Value Fund				
NAV	$9.64		-0.13	-
Clemente Korea Emerging Growth Fund				
NAV Oct 1	$12.58		+0.80	-
Credis Investment Funds				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Merrill Lynch Asset Management - Contd.				
Pacific Equity Portfolio				
Class A	$8.73			-
Class B	$8.76			-
Morgan Stanley Sicav				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murray Universal, Sicav				
American Port Sep 28	[illegible]	37.15	-	-
European Port Sep 28	[illegible]	[illegible]	-	-
Japan Port Sep 28	[illegible]	[illegible]	-	-
Pacific Port Sep 28	[illegible]	[illegible]	-	-
NICAM Asia Pacific Umbrella Fund				
Asia-Pacific	$15.30	15.97	+0.14	-
Hong Kong	[illegible]	[illegible]	[illegible]	-
Singapore	[illegible]	[illegible]	[illegible]	-
Malaysia	[illegible]	[illegible]	[illegible]	-
Thailand	[illegible]	[illegible]	[illegible]	-
Indonesia	[illegible]	[illegible]	[illegible]	-
Philippines	[illegible]	[illegible]	[illegible]	-
Oceania	$11.01	[illegible]	[illegible]	-
Korea	[illegible]	[illegible]	+0.19	-
*Price as at October 12				
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV	$9.60		-	-
Nikko Bank (Luxembourg) S.A.				
US Index Fd-SICAV NAV	$10.02		-	-
Euro Index Fd NAV	Ecu12.81		-	-
Income Alpha Fund				
Portfolio A Shs	$101.50		-	-
Portfolio B Shs	[illegible]		-	-
*Price as at October 11				
Nomura Asian Infrastructure Fd SICAV				
NAV	[illegible]		[illegible]	-

[illegible]

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CURRENCIES AND MONEY

MARKETS REPORT

UK interest rate prospects improve further

The recent turnaround in UK interest rate expectations continued yesterday on the back of good inflation figures and bullish comments from Mr Eddie George, governor of the Bank of England, *writes Philip Gawith*.

The December short sterling contract closed yesterday at 93.55, 40 basis points higher than the beginning of last week, while the March contract was 55 basis points up at 92.79.

Elsewhere, the dollar slipped below Y100 again to finish at Y99.885 from Y100.325. Against the D-Mark, it finished at DM1.5421 from DM1.5466.

The Russian rouble staged a recovery on the exchanges, rising by 5.1 per cent to Rs3,738, from Rs3,926, after plunging 33 per cent from the start of the month.

The Scandinavian currencies were weaker, with an opinion poll suggesting Swedish voters might reject membership of the European Union, dragging down the krona, taking the Finnish markka with it.

The D-Mark was generally firmer all round, while sterling lost some ground, with the trade weighted index closing at 79.9 from 80.1.

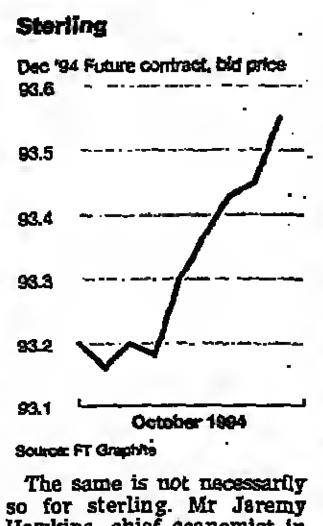
■ The catalyst for the improvement in short sterling was the data showing annual retail inflation in September at 2.2 per cent, down from 2.4 per cent in August. Mr George later cheered the market further when he said "it would be extraordinary if we had strong acceleration of inflation with such slow money growth (in the larger economies)."

Sentiment remains bearish; the market is discounting three month money at 6.45 per cent by Christmas, compared to 5¾ per cent currently. The sama point emerges from looking at the options strike prices for the December contract, which shows most of the open interest contracts are found at 93.50, 93.75 and 94.00. This shows that most investors expect three month rates to be in the 6-6.5 per cent range at the end of the year.

Most economists are less pessimistic in their outlook than the market, with many holding by the view that there will be no further increase in interest rates this year. This is based on the assumption that the economy has slowed quite sharply in the third quarter.

Despite the market's lingering bearishness, the turnaround over the past ten days has been considerable. Analysts attributed this large move to the fact that the market was correcting itself from a very oversold position.

The speed and extent of the correction has been such, however, that there are already concerns that the market might be approaching overbought levels.



Source: FT Graphite

The same is not necessarily so for sterling. Mr Jeremy Hawkins, chief economist in London at the Bank of America, comments: "In the longer term it has to be good for sterling if the UK emerges as a low inflation economy."

■ The dollar's dip down to a low of Y99.65 was prompted by the receding prospect of the dollar receiving safe-haven support from conflict in the Gulf.

Other factors contributing to its weakness were talk of dollar sales from Mr George Soros's Quantum fund, and possible selling interest from Kampo, the Japanese postal life insurance bureau.

Comments from Mr Yasushi Mieno, the Bank of Japan governor, that Japanese lending rates could be expected to rise, also helped the yen.

A further threat to the dollar comes from Germany. The D-Mark has been fairly weak for the past month on fears that Chancellor Kohl's coalition might not be returned with a working majority. Should he win this weekend's election, however, the D-Mark is likely to benefit, and the dollar will suffer.

On the other hand, some observers believe the dollar may benefit from Mr Clinton's decisive action in the Gulf. They reason that this could help the Democrats in next month's mid-term congressional elections.

If this helped them maintain control of the Senate, the possibility of a stalemate between the legislature and the executive would be avoided. This, the argument goes, would make dollar assets, and hence the dollar, more attractive.

■ The Bank of England provided £1.124bn assistance, £474m at established rates, to UK money markets, compared to a £1.1bn shortage. Overnight money traded between 5 and 6¾ per cent.

German call money was steady at 4.90/5 per cent ahead of today's Bundesbank council meeting. No shift in official rates is expected.

■ Pound in New York

Oct 12	Latest	Prev. close
£ spot	1.5810	1.5795
1 mth	1.5805	1.5791
3 mth	1.5801	1.5785
1 yr	1.5708	1.5668

■ OTHER CURRENCIES

Oct 12	£	$
Hungary	170.140 - 170.374	107.670 - 107.770
Iran	2771.00 - 2774.00	1748.00 - 1750.00
Kuwait	0.4700 - 0.4714	0.2974 - 0.2982
Poland	36668.5 - 36732.2	23205.0 - 23235.0
Russia	4899.85 - 5374.05	3100.00 - 3400.00
U.A.E.	5.7949 - 5.8085	3.6716 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1514	-0.0688	438 - 591	17.2157	17.1425	17.147	0.3	17.1352	0.4	-	-	116.2
Belgium	(BFr)	50.1588	-0.212	397 - 778	50.3450	50.1150	50.1788	-0.5	50.0838	0.6	49.6788	0.6	116.9
Denmark	(DKr)	9.5521	-0.031	476 - 565	9.5724	9.5469	9.5473	0.6	9.5661	-0.6	9.5956	-0.5	116.9
Finland	(FM)	7.5356	-0.0121	254 - 458	7.5760	7.5250	-	-	-	-	-	-	88.0
France	(FFr)	8.3430	-0.0213	395 - 464	8.3551	8.3387	8.3426	0.1	8.3367	0.2	8.2912	0.8	110.3
Germany	(DM)	2.4373	-0.0066	364 - 382	2.4438	2.4354	2.4365	0.4	2.4332	0.7	2.4062	1.3	122.4
Greece	(Dr)	372.220	-1.251	058 - 381	372.957	372.031	-	-	-	-	-	-	-
Ireland	(I£)	1.0106	-0.0013	098 - 113	1.0114	1.0098	1.0104	0.2	1.01	0.2	1.0119	-0.1	105.4
Italy	(L)	2478.92	-15.8	538 - 846	2485.34	2475.05	2483.32	-3.1	2496.42	-3.1	2551.47	-3.0	74.8
Luxembourg	(LFr)	50.1588	-0.212	397 - 778	50.3450	50.1150	50.1788	-0.5	50.0838	0.6	49.6788	0.6	116.6
Netherlands	(Fl)	2.7297	-0.0093	287 - 307	2.7372	2.7286	2.7287	0.5	2.7254	0.6	2.6962	1.2	121.0
Norway	(NKr)	10.6229	-0.0293	189 - 268	10.6468	10.6084	10.6223	0.1	10.6258	-0.1	10.6265	0.0	86.3
Portugal	(Es)	249.158	-0.688	024 - 292	249.481	249.014	250.886	-8.3	254.068	-7.8	-	-	-
Spain	(Pta)	202.382	-0.453	297 - 466	202.605	202.269	202.752	-2.2	203.617	-2.2	206.357	-2.0	88.0
Sweden	(SKr)	11.7077	-0.01	977 - 176	11.7407	11.6618	11.7287	-2.2	11.7757	-2.3	11.9637	-2.2	75.6
Switzerland	(SFr)	2.0340	-0.0025	329 - 351	2.0377	2.0323	2.0312	1.7	2.0252	1.7	1.9888	2.2	122.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2772	-0.0042	764 - 780	1.2803	1.2760	1.2769	0.3	1.2766	0.2	1.2748	0.2	-
SDR†	-	0.922090	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5775	-0.002	770 - 779	1.5787	1.5757	-	-	-	-	-	-	-
Brazil	(R)	1.3229	+0.0039	210 - 248	1.3256	1.3209	-	-	-	-	-	-	-
Canada	(C$)	2.1290	+0.0053	281 - 298	2.1311	2.1233	2.1282	0.5	2.1268	0.4	2.1239	0.2	87.8
Mexico	(New Peso)	5.4032	-0.0031	980 - 083	5.4095	5.3980	-	-	-	-	-	-	-
USA	($)	1.5806	-0.0009	802 - 809	1.5820	1.5789	1.5802	0.3	1.5796	0.2	1.5698	0.7	62.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1456	-0.002	444 - 468	2.1492	2.1443	2.1456	0.0	2.1469	-0.2	2.165	-0.9	-
Hong Kong	(HK$)	12.2137	-0.0069	102 - 172	12.2265	12.2033	12.2098	0.4	12.2067	0.2	12.2157	0.0	-
India	(Rs)	49.5799	-0.0298	630 - 968	49.6230	49.5340	-	-	-	-	-	-	-
Japan	(Y)	157.874	-0.79	815 - 932	158.470	157.590	157.454	3.2	156.449	3.6	151.614	4.0	186.8
Malaysia	(M$)	4.0644	-0.0025	627 - 661	4.0726	4.0529	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6136	-0.0008	119 - 152	2.6156	2.6099	2.6175	-1.8	2.6253	-1.6	2.6476	-1.3	-
Philippines	(Peso)	40.4622	-0.0243	371 - 872	40.8210	40.1355	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9294	-0.0052	273 - 315	5.9347	5.9249	-	-	-	-	-	-	-
Singapore	(S$)	2.3435	-0.0029	422 - 448	2.3459	2.3420	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6509	+0.0061	484 - 533	5.6552	5.6364	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4092	-0.0434	619 - 264	6.4611	6.3789	-	-	-	-	-	-	-
South Korea	(Won)	1264.05	-3.21	369 - 440	1265.79	1262.26	-	-	-	-	-	-	-
Taiwan	(T$)	41.4180	+0.002	060 - 299	41.4531	41.3506	-	-	-	-	-	-	-
Thailand	(Bt)	39.5691	-0.0499	445 - 938	39.8100	39.5440	-	-	-	-	-	-	-

†SDR rates for Oct 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8515	-0.037	490 - 540	10.8780	10.8485	10.8515	0.0	10.8513	0.0	10.7765	0.7	104.3
Belgium	(BFr)	31.7350	-0.115	300 - 400	31.8800	31.7000	31.74	-0.2	31.765	-0.4	31.69	0.1	105.8
Denmark	(DKr)	6.0435	-0.018	420 - 450	6.0605	6.0408	6.048	-0.9	6.056	-0.8	6.1135	-1.2	105.2
Finland	(FM)	4.7677	-0.0048	623 - 731	4.7694	4.7605	4.7689	-0.3	4.7699	-0.2	4.7782	-0.2	82.3
France	(FFr)	5.2785	-0.0104	775 - 795	5.2870	5.2739	5.2801	-0.4	5.278	0.0	5.2825	-0.1	106.5
Germany	(D)	1.5421	-0.0045	416 - 423	1.5470	1.5405	1.5419	0.2	1.5404	0.4	1.5331	0.6	106.9
Greece	(Dr)	235.500	-0.65	450 - 550	235.900	235.480	235.795	-1.5	236.375	-1.5	238.575	-1.3	68.8
Ireland	(I£)	1.5641	+0.0012	633 - 648	1.5661	1.5618	1.564	0.0	1.5642	0.0	1.5511	0.8	-
Italy	(L)	1567.13	-9.05	650 - 775	1573.00	1568.00	1571.58	-3.4	1580.43	-3.4	1625.63	-3.7	75.1
Luxembourg	(LFr)	31.7350	-0.115	300 - 400	31.8800	31.7000	31.74	-0.2	31.765	-0.4	31.69	0.1	105.6
Netherlands	(Fl)	1.7271	-0.0048	268 - 273	1.7315	1.7260	1.7268	0.2	1.7254	0.4	1.7178	0.5	105.7
Norway	(NKr)	6.7210	-0.0145	200 - 220	6.7370	6.7095	6.726	-0.9	6.743	-1.3	6.791	-1.0	98.5
Portugal	(Es)	157.640	-0.34	590 - 690	157.800	157.590	158.315	-5.1	159.49	-4.7	164.09	-4.1	95.0
Spain	(Pta)	128.045	-0.21	020 - 070	128.180	128.000	128.31	-2.5	128.84	-2.5	131.475	-2.7	81.0
Sweden	(SKr)	7.4074	-0.0018	027 - 120	7.4265	7.3838	7.4227	-2.5	7.4549	-2.6	7.6224	-2.9	81.0
Switzerland	(SFr)	1.2869	-0.0006	865 - 873	1.2898	1.2855	1.2855	1.3	1.2821	1.5	1.2672	1.5	108.1
UK	(£)	1.5806	-0.0009	802 - 809	1.5820	1.5789	1.5802	0.3	1.5796	0.2	1.5698	0.7	88.4
Ecu	-	1.2375	+0.0033	370 - 380	1.2380	1.2342	1.2369	0.6	1.2362	0.4	1.2312	0.5	-
SDR†	-	1.48179	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	-0.0007	980 - 981	0.9981	0.9979	-	-	-	-	-	-	-
Brazil	(R)	0.8370	+0.003	360 - 380	0.8380	0.8360	-	-	-	-	-	-	-
Canada	(C$)	1.3470	+0.0041	467 - 472	1.3477	1.3442	1.3472	-0.1	1.3464	0.2	1.3532	-0.5	84.7
Mexico	(New Peso)	3.4185	+0.004	160 - 210	3.4210	3.4160	3.4195	-0.4	3.4213	-0.3	3.4287	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3575	-0.0005	570 - 580	1.3598	1.3570	1.3577	-0.2	1.3584	-0.3	1.3658	-0.6	88.7
Hong Kong	(HK$)	7.7275	-0.001	270 - 280	7.7282	7.7270	7.7273	0.0	7.728	0.0	7.743	-0.2	-
India	(Rs)	31.3688	-	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	99.8850	-0.44	700 - 000	100.320	99.6700	99.645	2.9	98.045	3.4	96.53	3.4	147.4
Malaysia	(M$)	2.5715	-	710 - 720	2.5788	2.5640	2.5623	4.3	2.551	3.2	2.6245	-2.1	-
New Zealand	(NZ$)	1.6536	+0.0015	523 - 543	1.6537	1.6518	1.6545	-0.7	1.6584	-0.7	1.6617	-0.5	-
Philippines	(Peso)	25.6000	-	000 - 000	25.8000	25.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7515	-0.001	510 - 520	3.7520	3.7510	3.7528	-0.4	3.7569	-0.6	3.7735	-0.6	-
Singapore	(S$)	1.4827	-0.001	822 - 832	1.4842	1.4822	1.4814	1.1	1.4795	0.9	1.4727	0.7	-
S Africa (Com.)	(R)	3.5753	+0.008	745 - 760	3.5770	3.5680	3.5908	-5.2	3.6191	-4.9	3.6958	-3.4	-
S Africa (Fin.)	(R)	4.0550	-0.025	450 - 650	4.0870	4.0350	4.0887	-10.0	4.1475	-9.1	-	-	-
South Korea	(Won)	799.750	-1.55	700 - 800	800.800	799.100	802.75	-4.5	806.25	-3.3	824.75	-3.1	-
Taiwan	(T$)	26.2048	+0.017	030 - 065	26.2065	26.1775	26.2248	-0.9	26.2648	-0.9	-	-	-
Thailand	(Bt)	25.0350	-0.0165	250 - 450	25.0460	25.0250	25.1075	-3.5	25.235	-3.2	25.715	-2.7	-

†SDR rate for Oct 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 11. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 12	Over night	One month	Three mths	Six mths	One year	Lomb. Inter	Dis rate	Repo rate
Belgium	4¾	4⅞	5⅛	5⅝	6⅛	7.40	4.50	-
week ago	4¾	4⅞	5⅛	6⅛	6⅝	7.40	4.50	-
France	5⅝	5¼	5⅝	5⅞	6¼	5.00	-	5.75
week ago	5⅜	5¼	5½	5⅞	6¼	5.00	-	5.75
Germany	4.90	4.95	5.20	5.30	5.70	6.00	4.50	4.85
week ago	4.95	4.95	5.18	5.25	5.63	6.00	4.50	4.85
Ireland	4⅞	5⅛	5⅜	6⅛	7⅛	-	-	6.25
week ago	4¾	5⅝	6⅛	6⅝	7⅝	-	-	6.25
Italy	8¼	8⅛	8⅝	9⅝	10⅛	-	7.50	8.20
week ago	8⅛	8⅛	9	9⅝	10⅛	-	7.50	8.20
Netherlands	4.84	4.98	5.21	5.36	5.61	-	5.25	-
week ago	4.84	4.98	5.25	5.40	5.66	-	5.25	-
Switzerland	3⅞	3⅞	4⅛	4⅛	4⅞	6.625	3.50	-
week ago	3⅝	3⅞	4⅛	4⅝	4⅞	6.625	3.50	-
US	4⅝	5⅛	5⅜	5⅞	6⅛	-	4.00	-
week ago	4⅝	5⅛	5⅜	5⅞	6⅛	-	4.00	-
Japan	2⅛	3	2⅛	2⅜	2⅝	-	1.75	-
week ago	2⅛	3	2⅛	2⅜	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅝	5⅞	6⅜	-	-	-
week ago	-	5⅝	5⅝	6⅛	6⅜	-	-	-
US Dollar CDs	-	4.92	5.31	5.60	6.16	-	-	-
week ago	-	4.92	5.31	5.60	6.16	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3⅞	4	-	-	-
week ago	-	3⅝	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 3/16 - 5 1/16	5¾ - 5⅝	6 3/16 - 6 1/16
Danish Krone	5¾ - 5½	5¾ - 5½	5⅞ - 5⅝	6½ - 6¼	7 - 6¾	7¾ - 7½
D-Mark	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5¼ - 5⅛	5½ - 5⅜	5 13/16 - 5 11/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	5 13/16 - 5 11/16	6¼ - 6⅛
Portuguese Esc.	9⅞ - 9⅝	9⅛ - 9	9 13/16 - 9 9/16	10⅛ - 10	10⅝ - 10⅜	10¾ - 10½
Spanish Peseta	7 11/16 - 7 9/16	7½ - 7⅜	7⅝ - 7½	8 - 7⅞	8⅜ - 8¼	9⅛ - 9
Sterling	5⅞ - 5⅝	5⅝ - 5½	5 9/16 - 5½	5⅞ - 5 13/16	6⅜ - 6¼	7⅛ - 7
Swiss Franc	3⅛ - 2⅞	3½ - 3⅜	3⅝ - 3½	4⅝ - 4½	4⅝ - 4½	5 - 4⅞
Can. Dollar	4⅝ - 4⅜	5 - 4⅞	5 - 4⅞	5⅜ - 5¼	6 - 5⅞	6⅝ - 6½
US Dollar	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5⅛ - 5	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6¼
Italian Lira	9 - 7½	8⅜ - 8⅛	8⅝ - 8½	8⅞ - 8¾	9⅝ - 9½	10⅝ - 10½
Yen	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅝ - 2½	2⅞ - 2 13/16
Asian $Sing	2 - 1⅞	2 - 1⅞	2⅜ - 2¼	3⅜ - 3¼	3 13/16 - 3 11/16	4 1/16 - 3 15/16

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.07	-0.01	94.08	94.05	13,210	50,315
Mar	93.61	93.63	-	93.65	93.59	6,046	36,697
Jun	93.21	93.23	-0.01	93.26	93.19	6,319	23,901
Sep	92.86	92.90	+0.01	92.91	92.86	2,368	20,193

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.04	94.03	-0.04	94.04	94.04	200	2338
Mar		93.66	-0.04			0	1458
Jun		93.24	-0.05			0	300
Sep		92.93	-0.06			0	52

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.68	94.70	-	94.71	94.67	23304	180891
Mar	94.32	94.36	+0.02	94.37	94.30	23515	175240
Jun	93.97	93.99	-	94.02	93.93	25333	103773
Sep	93.61	93.65	+0.01	93.66	93.57	15700	77226

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.43	90.63	+0.17	90.67	90.43	7277	32333
Mar	89.73	89.91	+0.17	89.92	89.73	2145	17401
Jun	89.28	89.35	+0.17	89.35	89.21	2039	15012
Sep	88.78	88.97	+0.17	88.98	88.78	857	15591

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.67	95.69	-0.01	95.73	95.67	4302	24734
Mar	95.32	95.35	+0.02	95.37	95.29	3830	14447
Jun	94.95	94.94	-0.02	94.99	94.94	148	7088
Sep	94.63	94.60	-0.02	94.65	94.63	158	1130

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.67	93.74	+0.06	93.75	93.66	1253	7917
Mar	93.17	93.24	+0.06	93.28	93.18	1305	5701
Jun	92.64	92.73	+0.07	92.75	92.63	758	3397
Sep	92.18	92.26	+0.07	92.27	92.18	345	1178

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.05	16.64	4.859	2.014	4937	5.442	21.18	496.7	403.4	23.33	4.058	1.994	4.245	3.153	314.7	2.546
Denmark	(DKr)	52.50	10	8.734	2.551	1.057	2592	2.857	11.12	260.8	211.8	12.25	2.129	1.047	2.229	1.655	165.2	1.337
France	(FFr)	60.11	11.45	10	2.921	1.211	2968	3.271	12.73	298.6	242.5	14.02	2.438	1.199	2.552	1.895	189.1	1.531
Germany	(DM)	20.58	3.920	3.423	1	0.414	1016	1.120	4.358	102.2	83.01	4.801	0.835	0.410	0.874	0.649	64.75	0.524
Ireland	(I£)	49.65	9.457	8.260	2.413	1	2451	2.702	10.51	246.6	200.3	11.58	2.014	0.990	2.108	1.565	156.2	1.264
Italy	(L)	2.025	0.386	0.337	0.098	0.041	100.	0.110	0.429	10.06	8.170	0.473	0.082	0.040	0.086	0.064	6.373	0.052
Netherlands	(Fl)	18.38	3.500	3.057	0.893	0.370	907.3	1	3.892	91.28	74.13	4.287	0.745	0.368	0.780	0.579	57.82	0.468
Norway	(NKr)	47.32	8.994	7.856	2.295	0.951	2331	2.570	10	234.8	190.5	11.02	1.916	0.942	2.005	1.489	148.6	1.202
Portugal	(Es)	20.13	3.835	3.349	0.978	0.405	994.0	1.096	4.263	100.	81.21	4.697	0.817	0.401	0.855	0.635	63.35	0.513
Spain	(Pta)	24.79	4.722	4.124	1.205	0.499	1224	1.349	5.250	123.1	100.	5.783	1.005	0.494	1.052	0.782	78.00	0.631
Sweden	(SKr)	42.86	8.164	7.131	2.083	0.863	2118	2.332	9.077	212.8	172.9	10	1.738	0.855	1.820	1.351	134.9	1.091
Switzerland	(SFr)	24.66	4.696	4.102	1.198	0.497	1217	1.342	5.221	122.6	99.46	5.752	1	0.492	1.047	0.777	77.58	0.628
UK	(£)	50.15	9.552	8.343	2.437	1.010	2476	2.729	10.62	249.1	202.5	11.70	2.034	1	2.129	1.581	157.8	1.277
Canada	(C$)	23.56	4.487	3.919	1.145	0.474	1163	1.282	4.988	117.0	95.02	5.496	0.955	0.470	1	0.743	74.12	0.600
US	($)	31.72	6.042	5.277	1.541	0.639	1566	1.726	6.717	157.6	128.0	7.400	1.287	0.633	1.347	1	99.81	0.808
Japan	(Y)	31.78	6.053	5.287	1.544	0.640	1569	1.729	6.730	157.9	128.2	7.414	1.289	0.634	1.349	1.002	100.	0.809
Ecu		39.27	7.480	6.533	1.908	0.781	1938	2.137	8.316	195.1	158.4	9.162	1.593	0.783	1.667	1.238	123.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6475	0.6487	+0.0014	0.6493	0.6469	26,139	75,810
Mar	0.6499	0.6498	-0.0016	0.6500	0.6498	173	3,907
Jun	-	0.6493	-	-	-	14	610

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0034	1.0070	+0.0043	1.0086	1.0021	15,833	69,115
Mar	1.0120	1.0153	+0.0050	1.0160	1.0120	1,265	4,019
Jun	-	1.0198	-	-	-	23	494

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7781	0.7791	+0.0016	0.7798	0.7770	20,459	34,406
Mar	0.7820	0.7820	+0.0016	0.7820	0.7817	37	941
Jun	-	0.7836	-	-	-	3	63

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5766	1.5804	+0.0018	1.5812	1.5766	10,676	41,417
Mar	1.5790	1.5790	+0.0022	1.5790	1.5790	32	371
Jun	-	1.5740	-	1.5740	-	1	8

UK INTEREST RATES

LONDON MONEY RATES

Oct 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5	5⅝ - 5 7/16	5⅝ - 5 7/16	5 13/16 - 5 11/16	6⅜ - 6 3/16	7¼ - 7
Sterling CDs	-	-	5 9/16 - 5⅜	5 13/16 - 5 11/16	6 5/16 - 6¼	7 1/16 - 7⅛
Treasury Bills	-	-	5¼ - 5⅜	5¾ - 5 11/16	-	-
Bank Bills	-	-	5 11/16 - 5¼	5 13/16 - 5 13/16	6 5/16 - 6 3/16	-
Local authority deps.	5¼ - 6⅛	5¼ - 5⅛	5 9/16 - 5 7/16	6¾ - 5⅝	6 5/16 - 6 3/16	7 1/16 - 6 13/16
Discount Market deps	6¼ - 5¼	5⅛ - 5¼	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¼pc.
Ave. tender rate of discount 5.4950pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1994. Agreed rate for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.735pc. Finance House Base Rate 6pc from Oct 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.43	93.55	+0.10	93.58	93.42	47629	155797
Mar	92.63	92.79	+0.13	92.83	92.62	48991	72682
Jun	91.98	92.17	+0.16	92.22	91.98	15658	51959
Sep	91.53	91.72	+0.16	91.76	91.52	8332	49835

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.24	0.11	0.13	0.19	0.82	1.46
9375	0.11	0.05	0.08	0.31	1.01	1.66
9400	0.04	0.02	0.05	0.49	1.23	1.88

Est. vol. total, Calls 35615 Puts 16031. Previous day's open int., Calls 314827 Puts 186335

EMS EUROPEAN CURRENCY UNIT RATES

Oct 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14684	-0.00131	-2.27	5.58	-
Belgium	40.2123	39.4493	-0.0241	-1.90	5.17	14
Ireland	0.808628	0.794173	+0.001785	-1.79	5.06	12
Germany	1.94964	1.91691	-0.00112	-1.68	4.94	-
France	6.53883	6.56059	+0.00207	0.33	2.84	-3
Denmark	7.43679	7.51140	-0.00223	1.00	2.15	-7
Portugal	192.854	195.617	-0.016	1.59	1.56	-11
Spain	154.250	159.152	+0.129	3.18	0.00	-22
NON ERM MEMBERS						
Greece	264.513	292.675	-0.138	10.65	-6.75	-
Italy	1793.19	1948.59	-4.29	8.72	-5.10	-
UK	0.786743	0.785992	+0.002552	-0.10	3.28	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.500	7.99	7.93	7.99	-	0.01	0.13
1.525	5.54	5.56	5.64	-	0.05	0.41
1.550	3.04	3.36	3.91	-	0.33	0.95
1.575	0.77	1.67	2.40	0.12	1.06	1.88
1.600	-	0.63	1.32	1.83	2.52	3.22
1.625	-	0.15	0.65	4.25	4.49	5.02

Previous day's vol., Calls 15,304 Puts 7,415. Prev. day's open int., Calls 412,351 Puts 337,347

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.03	-0.03	94.00	94.02	103,434	461,608
Mar	93.68	93.66	-0.02	93.69	93.64	116,627	399,462
Jun	93.27	93.25	-0.02	93.27	93.23	58,126	297,313

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.65	94.64	-0.02	94.66	94.63	4,401	19,992
Mar	-	94.21	-	-	94.21	713	9,043
Jun	93.61	93.82	-0.05	93.82	93.81	139	2,007

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9450	0.21	0.23	0.26	0.17	0.01	0.03	0.06	0.31
9475	0.02	0.06	0.10	0.09	0.07	0.11	0.15	0.48
9500	0.01	0.01	0.03	0.04	0.31	0.31	0.33	0.68

Est. vol. total, Calls 13440 Puts 2815. Previous day's open int., Calls 181126 Puts 174062

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9550	0.23	0.16	0.12	0.04	0.31	0.68
9575	0.07	0.09	0.06	0.13	0.49	0.67
9600	0.02	0.05	0.03	0.33	0.70	1.09

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1570 Puts 516

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai.	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75	● Members of London Investment Banking Association	
Citibank NA	5.75	Lloyds Bank	5.75	* In administration	
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank.	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

Correction Notice - Guilbert first-half financial highlights

The advertisement which appeared yesterday contained 2 errors concerning the net profit after tax/France (in thousands of FF, unaudited): *the figure for 30/6/94 is 108,928 (not 106,928), and the figure for 31/12/93 is 209,615 (not 209,815).*

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 12 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 12 / Frs.)

[illegible]

DENMARK (Oct 12 / Kr)

[illegible]

FINLAND (Oct 12 / Mkk)

[illegible]

FRANCE (Oct 12 / Frs.)

[illegible]

GERMANY (Oct 12 / Dm.)

[illegible]

ITALY (Oct 12 / Lire)

[illegible]

NETHERLANDS (Oct 12 / Fls.)

[illegible]

NORWAY (Oct 12 / Kroner)

[illegible]

SPAIN (Oct 11 / Pts.)

[illegible]

SWEDEN (Oct 12 / Kronor)

[illegible]

SWITZERLAND (Oct 12 / Frs.)

[illegible]

PACIFIC

JAPAN (Oct 12 / Yen)

[illegible]

AUSTRALIA (Oct 12 / Aus$)

[illegible]

HONG KONG (Oct 12 / H.K.$)

[illegible]

MALAYSIA (Oct 12 / M$)

[illegible]

SINGAPORE (Oct 12 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Oct 12 / Can $) 4 pm close

[illegible]

MONTREAL (Oct 12 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Oct 12 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, October 12, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NKK	8.4m	290	+3	Mitsubishi Chem	5.2m	567	+18
Nippon Steel	8.0m	369	+10	Kawasaki Steel	5.0m	446	+5
Sumitomo Mtl Ind	7.6m	346	+5	Mitsubishi Hvy	5.0m	791	+6
Mitsubishi Elec	6.6m	734	+6	Tosoh	4.9m	417	+21
Oki Elec	5.8m	800	-3	Sanyo Elec	4.3m	590	+9

INDICES

	Oct 12	Oct 11	Oct 10	1994 High	1994 Low
	[illegible]				
Japan					
Nikkei 225 (16/5/49)	20089.72	19821.45	(c)	21552.81 13/6	17369.74 4/1
Nikkei 300 (1/10/82)	293.22	290.26	(c)	311.71 13/6	268.22 4/1
Topix (4/1/68)	1600.60	1583.84	(c)	1712.73 13/6	1446.97 4/1
2nd Section (4/1/68)	2254.01	2223.70	(c)	2542.65 8/7	1903.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	1137.00	1128.29	1110.12	1314.46 5/1	928.38 4/4

** Sat Oct 8 : Taiwan Weighted Price 6214.48; Korea Comp Ex 1061.98. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000. JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 12 - 2072.98 -15.03

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Oct	1917.0	1932.0	+5.0	1932.0	1912.0	16,035	28,251
Nov	1926.0	1940.0	+5.0	1932.0	1925.6	101	754
Dec	1934.5	1949.5	+5.0	1949.0	1930.0	349	26,584

Open interest figures for previous day.

US INDICES

Dow Jones	Oct 11	Oct 10	Oct 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3876.83	3821.32	3797.43	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.01	95.92	95.91	105.61 (21/1)	95.91 (7/10)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1480.41	1462.48	1444.78	1862.29 (2/2)	1430.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.32	179.87	178.42	227.06 (6/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3899.96 (3843.19) Low 3818.96 (3780.36) (Theoretical♦)
Day's high 3882.55 (3825.35) Low 3821.32 (3797.43) (Actual♦)

Standard and Poors	Oct 11	Oct 10	Oct 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	465.79	458.04	455.10	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¥	553.42	544.70	538.55	580.83 (15/9)	510.05 (21/4)	580.83 (15/9/94)	3.62 (21/6/32)
Financial	43.00	42.68	42.33	46.94 (14/6)	41.38 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	258.38	253.14	251.33	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (28/4/42)
Amex Mkt Val	457.76	455.98	455.12	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	765.57	758.81	749.96	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 7	Sep 30	Sep 23	Year ago
Dow Jones Ind. Div. Yield	2.79	2.76	2.76	2.84
	Oct 0	Sep 28	Sep 21	Year ago
S & P Ind. Div. yield	2.43	2.39	2.41	2.51
S & P Ind. P/E ratio	20.33	20.76	20.64	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	467.40	467.05	-0.35	467.80	466.90	107,475	214,044
Mar	-	470.65	-	-	-	1,012	8,541
Jun	-	474.30	-	-	-	3	2,574

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Nat Med Ent	7,918,600	15¾	-⅛
Digital Eqpt	3,517,200	29¾	+1⅛
Santa Fe	5,213,700	14⅞	-⅛
Ford Motor	4,581,800	29⅝	+1⅛
Motorola	4,495,200	54	+1⅛
Amer Med	4,128,600	24⅛	+1¼
PepsiCo	3,972,700	34¼	+2¼
Compaq Com	3,841,800	34⅞	+⅛
Micron	3,482,700	34⅝	-⅛
Gen Motors	3,315,400	47⅞	+1⅝

■ TRADING ACTIVITY

● Volume (million)

	Oct 11	Oct 10	Oct 7
New York SE	355.528	213.112	276.582
Amex	14.693	9,100	14.005
NASDAQ	340.574	210.632	240.926
NYSE			
Issues Traded	2,880	2,817	2,832
Rises	1,545	1,408	1,208
Falls	683	717	934
Unchanged	652	692	690
New Highs	89	30	26
New Lows	67	73	164

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

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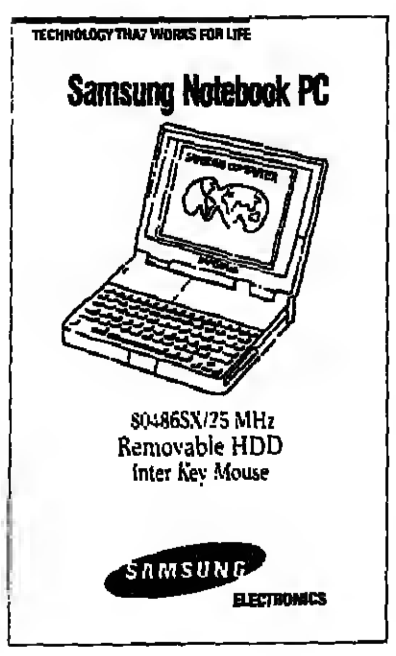
NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 1/8	12 1/4	AAR	0.48	3.8	21	115	12 3/4	12 5/8	12 5/8	-1/8
17 3/4	12 3/8	A L Labs A	0.18	1.1	36	47	16 1/2	16 3/8	16 5/8	
76 1/8	57 5/8	AMP	1.68	2.2	27	2306	77 5/8	76 3/8	77	+1/2
72 3/4	48 3/8	AMR			89	2308	51 1/4	50 5/8	50 7/8	+5/8
9	3 3/8	ARX			13	92	3 7/8	3 1/8	3 7/8	+1/8
58 1/8	38 5/8	ASA	2.00	3.8	34	648	51 1/8	50 3/4	51 5/8	+3/4
31 7/8	25 3/8	AbbtL x	0.76	2.4	18	4459	31 1/2	31 1/4	31 3/8	
15 3/4	11 1/8	AbitIbi Pr	0.50	3.5	10	20	14 1/2	14 1/8	14 1/8	-1/8
23 5/8	17 3/4	ABM Ind s	0.52	2.8		65	20 1/4	20 1/4	20 1/8	
18	11 5/8	Acptncein			29	49	15 3/4	15 3/4	15 3/4	-1/8
31	22 3/8	ACE Ltd	0.44	1.8	30	257	24 3/4	23 3/4	24 1/8	-1/8
12 1/2	9 1/2	ACM Gvt In s	1.09	11.4		261	9 3/4	d9 1/2	9 5/8	
10 1/8	7	ACM GvOpp x	0.80	11.4		77	7 1/8	d7	7	
10 5/8	7	ACM Gvt Sp x	0.96	13.2		250	7 1/8	7 1/8	7 1/8	
12	8 3/8	ACM Gvt Sc s	1.09	12.9		522	8 1/2	d8 3/8	8 1/2	
11 1/8	7 3/8	ACM Man x	1.08	13.8		777	7 3/4	7 1/2	7 3/4	+1/4
9 1/4	8	ACM Mangd x	0.72	0.7		263	8 1/4	8 1/8	8 1/4	
15 1/2	8 3/4	AcmeCw	0.44	3.2	18	20	13 3/4	13 1/8	13 3/4	-1/8
9 7/8	6 1/2	Acme Elect			7	35	8	6 7/8	6 7/8	
28 3/4	23	Acordia	0.60	2.2	13	11	27 5/8	27 3/8	27 5/8	
13 3/4	5 3/4	Actava	0.36	3.8	2	229	10 1/8	9 7/8	10	-1/8
17	11 1/8	Acuson			125	125	16 5/8	16 3/8	16 3/8	-1/8
18 5/8	16 1/2	Adams Expr	0.48	2.8	0	46	17 1/4	17 1/8	17 1/8	-1/4
64	46 1/2	Ad Micro	3.80	5.8		1008	52 1/4	50 3/4	51 3/8	-2
31 1/4	16 3/4	AdvMic	3.00	12.8	10	35826	24 3/8	22 3/4	23 3/8	-1 5/8
8 7/8	5	Advest Grp	0.19	3.1	8	22	5 1/8	5 1/8	5 1/8	
20	15	Advo Inc	0.10	0.6	15	142	17 3/8	17 3/8	17 3/8	
59 7/8	49 3/8	Aegon ADR	1.47	2.5	12	25	60 7/8	55 1/2	58 1/2	-1 1/8

1994 High	1994 Low	Stock	Div
48 3/4	34 1/8	BactnD	0.74
7 1/4	5	BadPr x	0.36
59 5/8	49	BellAtl x	2.76
20 3/4	14 1/2	Bell In	0.40
63 1/2	52 5/8	BellSth s	2.76
55	43 1/8	Belo A	0.60
35 3/4	20 1/2	Bemis	0.54
69	55	Benef 4.3P	4.30
44	34 1/2	Benef	1.72
36 7/8	24 1/8	Benetton A	0.47
1 7/8	3/4	Benguet B	0.84
18 7/8	13 3/4	BergBr	0.48
19950	15100	BerkH	
10 3/4	9	Berry Petr	0.48
41 5/8	10	Best Buy	
26 1/4	25 1/8	Beth St Z	2.50
55 5/8	51 1/2	Bethlhm Pf	5.00
24 1/8	16 1/8	BethSt	0.40
53 5/8	42 1/8	Betz L	1.44
18 1/8	11 1/8	BevEnt	
21 3/4	11 1/8	Biocraft s	0.19
32 5/8	23 5/8	Birmingm 0	0.40
23 5/8	19 1/2	BlDeck	0.40
22 3/4	18	Black H PL	1.32
10 3/4	0	BlckrckAdv x	0.73
6 1/2	6 1/8	Blckrckinc x	0.75
19 1/8	0 3/8	BlckrckTgt x	0.70
48 3/4	37 1/2	Block	1.25



Continued on next page

4 pm close October 12

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close October 12

AMEX COMPOSITE PRICES

4 pm close October 12

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FINANCIAL TIMES Thursday October 13 1994

AMERICA

US stocks ease on a bout of profit-taking

Wall Street

A three-session rally by US stocks stalled yesterday morning ahead of the barrage of crucial economic data due today and tomorrow, *writes Frank McGurty in New York*.

By 1 pm, the Dow Jones Industrial Average was down 4.37 at 3,872.46, while the more broadly-based Standard & Poor's 500 was off 0.36 at 465.43.

Oo the NYSE, declining issues led advances by e five-to-four margin by early afternoon in moderate volume of 158m shares.

Other indices were slightly ahead, with the Nasdaq composite up 0.48 at 766.05 and the American SE composite adding a scant 0.25 to 456.01.

In the absence of fresh economic news and a light flow of corporate results, stocks opened weaker. Profit-takers were taking advantage of share prices inflated by the 101-point advance by the Dow industrials since last Thursday's close.

The moderate downturn also reflected a slight setback in the bond market, where prices were drifting lower in lacklustre activity. Investors in both markets were keen to see today's data in September producer prices and tomorrow's news on consumer price inflation and industrial production.

Caution prevailed, though the outlook was generally favourable. None of the data was expected to be particularly troublesome and there was a growing consensus that the Federal Reserve would bold off on any further moves to lift interest rates until next month.

Amid such underlying optimism, stocks retraced their steps as the morning progressed and were hovering just below their opening values as the afternoon began.

There were fewer earnings reports on offer than in the previous sesslon, when the strength of the results had given the market a strong push forward. But yesterday several companies gave Wall Street good indications about what was to come.

Goodyear Tire, riding high on the strong demand for US cars, said it expected to report improved quarterly earnings. But its estimate failed to impress investors. The stock dipped $⅛ to $34⅞.

Farah, an apparel maker, fared even worse after forecasting earnings of 15 to 25 cents a share in the three months to November 4, against 42 cents a year earlier. The stock plunged $2, or 19 per cent, to $8⅝ on the announcement in heavy volume.

Among the companies actually reporting, Weyerhauser became the second paper and pulp supplier after International Paper to post disappointing results. The stock dropped $1⅞ to $41⅛, while IP receded a further $¾ to $76.

Shares in CBS lost about 4 per cent of their value after the media group revealed a decline in net income and revenue. The issue was down $14 at $325.

In the technology group, Internationel Business Machines stood out after a quiet outing the previous session, when many of its competitors had appreciated in value. Big Blue jumped $1⅝ to $72⅞ on reports that it might begin making acquisitions again and favourable comments by Mr Louis Gerstner, its chairman.

On the Nasdaq, computer-related issues were mixed. Apple, often mentioned as a possible strategic partner with IBM, gained $1 to $40⅝. But Wellfleet Communications shed $1⅝ to $22 and Intel was down $1⅛ at $40⅝.

Canada

Toronto was strengthening in active midday treding, but investors remained tentative ahead of today's US September producer prices and tomorrow's consumer prices.

The TSE 300 index climbed 26.59 to 4,341.98 at noon in volume of 32.0m shares.

Of Toronto's 14 sub-indices, only real estate and construction failed to move higher by midday. The real estate group was off 5.81 at 2,385.22, led by Cambridge Shopping Centres which fell C$⅛ to C$13⅞ in light volume.

Mexico

Shares rose sharply in early trading, helped by strong demand for Mexican ADRs on Wall Street. The IPC index gained 43.91 or 1.7 per cent, to 2,709.50 in the first hour of trading, unaffected by the rise in primary interest rates on Treasury bills at the central bank's weekly auction.

Telmex ADRs were up $⅞ to $62⅞ in New York while in domestic trading its L shares rose 1.90 per cent.

Leading gainers were Dina L shares, up 5.1 per cent, and the financial group, Bancomer C shares, which added 3.4 per cent. ICA shares rose 2.8 per cent, while Cemex BCP shares gained 3.3 per cent and its CPO shares rose 2.9 per cent.

Golds help S Africa to recoup losses

Jobannesburg recovered part of Tuesday's hefty losses as the market found support from firmer world equities and a mild bullion price recovery. However, dealers sald that sentiment remained nervous as the gold price was unconvincing and the financial rand continned to pressnre rand prices of shares. The overall index advanced 34 to 5,583, golds pnt on 17 at 2,282 and industrials moved ahead 16 to 6,261.

Lehman Brothers has added South African equities, particularly gold miners, to its model portfolio with a 2 per cent weight, taking funds from France and Switzerland.

In yesterday's trading, De Beers added R1.75 at R99.75, Anglos rose R4 to R231 and Gencor picked np 50 cents to R14.30 after Tuesday's sharp losses. SAB moved ahead R1.75 to R85.75 and Sasol firmed 10 cents to R35.75.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Oct. 7 1994	% Change over week	% Change on Dec '93	Local currency terms Oct. 7 1994	% Change over week	% Change on Dec '93
Latin America	(208)	740.36	-4.9	+13.8			
Argentina	(25)	918.18	-4.3	-7.7	562,178.21	-4.5	-7.9
Brazil	(57)	412.27	-8.4	+77.2	1,299,671,333	-8.6	+1,178.9
Chile	(25)	781.01	+2.8	+41.5	1,296.08	+3.2	+36.0
Colombia[1]	(11)	871.74	-2.0	+35.2	1,292.28	-2.3	+39.4
Mexico	(67)	945.86	-3.8	-6.0	1,394.20	-3.0	+3.3
Peru[2]	(11)	182.26	-2.4	+50.7	250.54	-2.5	+57.5
Venezuela[3]	(12)	559.69	+0.9	-5.4	2,185.81	+0.9	+53.8
Asia	(557)	278.85	-0.5	-4.9			
China[4]	(18)	101.44	-3.9	-32.0	109.34	-3.9	-33.4
South Korea[5]	(156)	150.07	+0.9	+27.0	157.56	+0.8	+25.5
Philippines	(19)	306.02	+2.5	-10.1	378.46	+3.4	-14.8
Taiwan, China[6]	(90)	152.40	-7.3	+12.7	149.67	-7.4	+11.9
India[7]	(76)	137.73	+1.2	+18.2	153.48	+2.0	+19.2
Indonesia[8]	(37)	112.25	+5.1	-10.0	132.46	+5.0	-7.0
Malaysia	(104)	306.92	-0.9	-9.5	290.47	-0.8	-13.8
Pakistan[9]	(15)	423.92	+2.7	+8.3	589.48	+2.9	+11.6
Sri Lanka[10]	(5)	204.32	-1.0	+15.3	218.47	-1.1	+14.4
Thailand	(55)	427.18	-1.7	-10.6	424.53	-1.3	-12.1
Euro/Mid East	(125)	119.91	+1.8	-29.2			
Greece	(25)	229.78	+3.9	+0.9	366.05	+3.3	-4.8
Hungary[11]	(5)	178.65	+1.3	+7.2	231.61	+1.2	+14.7
Jordan	(13)	153.49	-2.4	-7.3	228.54	-0.1	-5.8
Poland[12]	(12)	616.22	+8.7	-24.7	896.70	+7.8	-18.8
Portugal	(25)	123.17	-0.3	+8.2	133.18	-0.8	-3.6
Turkey[13]	(40)	118.25	+1.3	-44.4	1,912.83	+2.5	+31.5
Zimbabwe[14]	(5)	263.40	-0.5	+30.3	323.35	-0.1	+51.4
Composite	(691)	361.53	-2.6	+1.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Portugal has heen attracting interest from brokers, some nf whnm rate it as a buy above both Greece and Turkey, *writes John Pitt*.
So far this year the Portugnese equity market has gained 8 per cent in dnllar terms, compared with a loss of 44 per cent in Turkey and a 1 per cent rise in Greece, and has been the best performer in the Europe/Middle East snb-index.
Lehman Brothers argues that Pnrtugal is attractive because, politically, it is relatively stable and has the expectation for higher real growth than either Greece or Turkey. Merrill Lynch expects the market tn move in line with the European average nver the next 12 months, with the momentum coming from the likelihood of growth in the econnmy, which could appreciate faster than the rest of the Continent.

EUROPE

Activity muted as investors await data

Activity remained muted yesterday on the Continent ahead of the release of US data later this week, *writes Our Markets Staff*.

In its latest European strategy report JP Morgan says there is little sign of short-term relief for the region's equity markets because of the uncertainty surrounding a further rise in US interest rates. However, the broker says, the medium-term outlook for the core countries of France and Germany is positive, because of "robust growth and low inflation".

By contrast, Spain and Italy, while likely to experience even stronger growth, might be affected by higber inflation and higher short-term interest retes, leading to an underweight recommendation.

FRANKFURT rose during official hours but then fell back slightly in late trading, but the day was marked by a general lack of interest ahead of this weekend's elections. The Dax indax put on 6.51 to 2,077.57, then fell to 2,069.98 later.

Schering added DM21 to DM959, *adding to Tuesday's* gain which followed news of the presentation of a rival multiple sclerosis drug.

Elsewhere BASF put on DM3.1 to DM313 and Bayer DM5.1 to DM356.

Financials were pulled in both directions: Deutsche Bank fell DM2.8 to DM712.2, Dresdner Bank DM1 to DM389, while Allianz rose DM14 to DM2,277 and Commerzbank DM2 to DM320.

PARIS featured individual stories as the CAC-40 index drifted in a listless fashion, ending down a marginal 0.88 at 1,918.14. Turnover was FFr3bn.

UAP was among the worst performers, off 5 per cent at FFr138.50, after reporting a fall in first-half profit to FFr853m, below most analysts' expectations.

Carrefour went in the opposite direction, rising FFr46 to FFr2,184, denying reports that it might make e bid for e UK supermarket group. Sanofi picked up a further FFr11.10 to FFr252.30 after announcing the sale of part of its bio-activities division on Tuesday.

ZURICH was lower in quiet conditions, with trading dominated by professionals. The SMI index closed 7.5 down at 2,562.7.

Ciba registered shares eased SFr4 to SFr716. The company's announcement of a 3 per cent decline in nine-month sales proved in line with expectations, although the negative impact of the strong Swiss franc was slightly worse than expected. Roche, reporting *third-quarter figures on Monday*, saw its certificates finish flat at SFr5,880.

UBS shares showed little reaction to comments by Mr Martin Ebner, chairman of BZ Bank, that he was not trying to gain control. The UBS bearers picked up SFr2 to SFr1,240, and the registered stock was unchanged at SFr300. However, Mr Ebner's BK Vision fell SFr40 to SFr1,400.

Brown Boveri bearers continued their comeback, picking up another SFr11 to SFr1,111 in heavy trade, after their period in the doldrums. Other cyclicals were also higher, Fischer adding SFr10 to SFr1,555, and Sulzer rising SFr6 to SFr891.

Second-line insurers saw continued demand, with Berner rising SFr90 lo SFr1,490 on continued speculation that Allianz, which bolds a 30 per cent stake, might be planning to expand its share. Baloise added SFr45 to SFr2,845, but Elvia eased SFr20 to SFr3,600.

AMSTERDAM was unable to maintain the gains of the previous two days and the AEX index was left trailing 1.81 at 402.30.

VNU, which denied reports that its televislon interests would be affected by new competition in *the sector, dipped* Fl 3.20 to Fl 176.80. Fokker, the aircraft manufacturer, slipped 20 cents to Fl 15.10 after reports that Cityline, e division of Lufthansa of Germany, might replace the F-50s in its fleet.

MILAN made an early attempt to rally, but the momentum was soon lost as technical, month-end deadlines, and simmering political worries once again made their presence felt. The Comit index finished 2.85 ahead at 639.68.

Some blue chips managed to bold on to gains. Benetton, still recovering from last week's sharp losses, rose L59 to L19,935, and Cir was L21 ahead at L1,858.

Demand was also noted for the Fiat motor components maker, Magneti Marelli, ahead of its merger with Gilardini. *Magneti gained L44 to L1,292.*

Falls were seen, bowever, among the telecommunications companies, with Stet losing L40 to L4,479 and Telecom Italia giving up L64 to L4,143.

STOCKHOLM featured a further strong gain in Ericsson, the B shares rising SKr2.50 to SKr417.50, after good results from Motorola in the US. However, most investors were awaiting the country's inflation data due oot today.

The Affärsvärlden general index rose 10.20 to 1,425.20.

HELSINKI was stronger on expectations that Sunday's referendum will result in a yes vote for EU membership. The HEX index was up 35.32 at 1,899.04.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Oct 12 Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1335.20	1337.08	1334.78	1334.33	1335.03	1335.61	1333.13	1333.83
FT-SE Eurotrack 200	1392.24	1394.34	1391.48	1392.37	1394.63	1393.92	1390.84	1392.70

	Oct 11	Oct 10	Oct 7	Oct 6	Oct 5
FT-SE Eurotrack 100	1330.45	1317.39	1287.99	1290.84	1286.48
FT-SE Eurotrack 200	1384.80	1370.44	1344.02	1346.42	1335.96

Base 1000 (26/10/90). High/day: 100 - 1337.92; 200 - 1395.10 Low/day: 100 - 1333.13 200 - 1390.84 † Partial

ASIA PACIFIC

Nikkei rises 1.4% to end above 20,000 level

Tokyo

Bnying by arbitrageurs and overseas investors lifted prices, and the Nikkei 225 average gained for the third consecutive day, rising above the 20,000 level for the first time in a month, *writes Emiko Terazono in Tokyo*.

The index advanced 268.26, or 1.4 per cent, to 20,089.72 *after a day's low of* 19,846.77 and high of 20,115.22. Arbitrage buying and purchases of blue chip shares by foreigners countered selling by financial institutions and investment trusts.

Volume totalled 280m shares, against 199.3m. The Topix index of all first section stocks rose 16.76, or 1.1 per cent, to 1,600.60 and the Nikkei 300 added 2.96, or 1 per cent, at 293.22. Advances led declines by 812 to 193, with 159 issues unchanged. But in London the ISE/Nikkei 50 index dipped 1.80 to 1,319.96.

"Improving economics, the currency movement and the approach of the final leg of the Japan Tobacco *fiasco* is encouraging investors," said Mr Tom Hill, strategist et S.G. Warburg.

He added that although around 70 per cent of prospective buyers in Jepan Tobacco were expected to have given up their purchase rights, this reflected the inadequacy of the new issues system and not the stock market's current level.

Traders also said fears of over-supply from the JT listing had been alleviated by reports that the Ministry of Finance would refrain from offering unsold shares from the second round of subscriptions on the market at the time of the stock listing.

Jepan Telecom, the telecommunications operator, rose Y100,000 to Y3.99m, while DDI moved up Y45,000 to Y933,000, *recovering the Y900,000 mark* for the first time in e month.

Mitsubishi Bank, which will be taking a majority stake in Nippon Trust Bank, e financially trouhled trust bank, climbed Y70 to Y2,620.

Overseas investors bought chemical and steel shares. NKK, the most ective issue of the day, firmed Y3 to Y290, while Mitsnbishi Chemical gained Y18 at Y567.

In Osaka, the OSE average rose 171.15 to 22,286.19 in volume of 17.2m shares.

Roundup

Strength overnight on Wall Street helped many of the region's markets to advance.

TAIPEI ended sharply higher on hopes that the government would take action to prevent a further fall in the market, which has heen rocked hy default payments over the past week. The weighted index rallied 371.07, or 6 per cent, to 6,495.78 in T$87.66bn turnover.

Hualon was the most active issue and rose by the daily permitted 7 per cent limit to T$19.90, but Talwan Tea, a subsidiary, fell T$2.50 to T$63.

HONG KONG finished 1.8 per cent up but off the day's highs following a late surge in afternoon trade on buying of China-related stocks and Hong Kong Telecom on expectations that the group would announce a China venture along with Cable and Wireless later in the day.

The Hang Seng index added 170.03 at 9,532.35 after an intraday peak of 9,549.22. Hongkong Telecom put on 85 cents, or 5.5 per cent, at HK$16.25. The H-share index of Chinese stocks listed in Hong Kong rose 61.95, or 4.7 per cent, to 1,380.80.

In the opposite direction, Ming Pao, publisher of one of Hong Kong's best read upmarket newspapers, fell 5.5 per cent after a two-day suspension prompted by revelations that Mr Yu Pun-boi, the chairman, had a criminal record. The stock lost 30 cents at HK$5.20, after HK$5.

SEOUL finished at a second consecutive record high as blue chips rebounded strongly, overcoming selective profit-taking. The composite index rose 11.00 to 1,089.66, responding to comments by the finance minister that rules for foreigners' stock investment would be eased from next year.

SINGAPORE extended Tuesday's rebound as investors were cheered by Wall Street's sharp rise and receding fears of a Gulf war. The Straits Times Industrial index moved forward 23.08 to 2,368.31. **KUALA LUMPUR** continued to rally on technical buying, fuelled by the overnight Wall Street surge, and the composite index improved 8.71 to 1,137.00.

However, volume was limited, with investors cautiously awaiting the outcome of the ruling United Malays National Organisation (UMNO) supreme council meeting late in the day where the recent clash between the prime minister and an UMNO youth leader was expected to be discussed.

MANILA was supported by a late round of bargain hunting on expectations of strong corporate earnings in the third quarter. The composite index gained 23.51 at 2,970.46.

SYDNEY drifted lower, showing little response to the overnight Wall Street rise. The All Ordinaries index eased 1.0 to 2,002.6 in turnover of A$408.7m.

WELLINGTON was led higher by Telecom, up 12 cents at NZ$5.35, and leading forestry stocks which were belped by a strong US lumber futures market. The NZSE-40 capital index rose 31 to 2,056.80.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 11 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 10 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	168.24	0.5	157.72	106.70	135.28	151.96	0.8	3.65	167.35	156.51	106.45	134.86	150.70	189.15	149.36	152.33
Austria (16)	182.23	0.3	170.82	115.56	146.52	146.51	0.1	1.10	181.67	169.90	115.56	146.39	146.33	198.89	167.46	180.72
Belgium (37)	164.27	1.0	154.00	104.18	132.08	129.03	0.8	4.27	162.59	152.06	103.42	131.02	127.89	177.04	149.33	153.15
Canada (103)	137.88	0.7	129.07	87.31	110.70	133.88	0.5	2.51	136.67	127.81	86.93	110.13	133.23	145.31	120.54	124.77
Denmark (33)	247.81	0.8	232.30	157.15	199.25	204.23	0.8	1.45	245.85	229.92	156.38	198.11	202.71	275.79	230.27	236.78
Finland (24)	179.77	1.5	168.52	114.00	144.55	180.08	1.8	0.78	176.86	165.40	112.50	142.51	178.93	182.38	116.85	119.51
France (101)	167.85	1.1	157.35	106.45	134.96	139.26	1.0	3.12	165.99	155.23	105.58	133.76	137.87	185.37	159.34	171.81
Germany (58)	141.48	2.3	132.63	89.73	113.76	113.76	2.1	1.81	138.32	129.36	87.99	111.46	111.46	150.40	128.37	136.06
Hong Kong (56)	382.58	1.1	358.63	242.61	307.61	379.59	1.1	3.21	378.32	353.82	240.65	304.87	375.38	508.56	325.73	325.73
Ireland (14)	205.27	1.5	192.43	130.17	165.05	185.06	1.7	3.46	202.13	189.03	128.57	162.88	181.99	218.80	171.40	173.53
Italy (59)	78.15	-0.8	73.28	49.56	62.84	91.99	-1.0	1.68	78.90	73.79	50.19	63.58	92.89	87.78	57.88	71.99
Japan (468)	158.51	0.7	148.59	100.52	127.45	100.52	0.4	0.76	157.44	147.24	100.15	126.87	100.15	170.10	124.54	155.11
Malaysia (97)	556.81	1.8	521.79	352.99	447.56	551.25	1.9	1.52	546.91	511.48	347.89	440.72	540.80	621.63	430.71	460.92
Mexico (18)	2176.74	-1.2	2040.55	1380.42	1750.22	8126.29	-1.1	1.28	2203.17	2060.43	1401.42	1775.37	8220.14	2647.08	1686.79	1686.79
Netherland (19)	212.65	1.4	199.35	134.88	170.99	168.09	1.2	3.44	209.64	196.06	133.35	168.94	166.05	218.19	187.01	192.09
New Zealand (14)	71.60	1.9	67.12	45.41	57.57	62.81	2.0	3.87	70.23	65.68	44.67	56.59	61.60	77.59	59.22	62.38
Norway (23)	197.28	0.8	184.94	125.11	158.62	180.36	0.8	1.83	196.07	183.36	124.72	157.99	179.29	211.74	165.52	181.01
Singapore (44)	386.01	2.2	361.86	244.80	310.38	263.93	2.2	1.60	377.54	353.09	240.18	304.24	258.28	393.12	294.66	313.01
South Africa (59)	316.51	0.9	296.71	200.72	254.49	282.25	-1.5	2.27	313.82	293.48	199.62	252.88	286.50	318.51	202.72	214.60
Spain (38)	138.68	0.5	130.00	87.94	111.50	134.74	0.5	4.11	137.92	128.98	87.73	111.14	134.14	155.79	128.88	141.88
Sweden (36)	224.42	1.8	210.39	142.32	180.45	246.16	2.0	1.63	220.42	206.14	140.21	177.62	241.25	231.35	175.83	199.43
Switzerland (47)	164.40	0.3	154.12	104.26	132.19	131.25	0.6	1.85	163.90	153.28	104.26	132.08	130.45	176.66	143.64	145.84
United Kingdom (204)	197.53	1.0	185.17	125.27	158.83	185.17	1.3	4.11	195.50	182.83	124.36	157.54	182.83	214.96	181.11	192.97
USA (515)	190.08	1.5	178.19	120.54	152.64	190.08	1.5	2.85	187.32	175.18	119.16	150.95	187.32	196.04	178.95	188.29
EUROPE (709)	170.02	1.1	159.38	107.82	136.70	150.08	1.1	3.09	168.20	157.31	106.99	135.54	148.40	178.58	154.79	162.85
Nordic (116)	217.75	1.5	204.13	138.09	175.08	203.90	1.6	1.45	214.57	200.67	136.49	172.90	200.87	222.18	173.15	188.60
Pacific Basin (747)	168.02	0.8	157.51	106.56	135.10	111.24	0.5	1.08	166.74	155.34	106.06	134.37	110.85	176.88	134.78	161.20
Euro-Pacific (1456)	168.74	0.9	158.19	107.01	135.68	126.85	0.8	1.94	167.24	156.40	106.38	134.78	125.86	175.14	143.88	161.89
North America (618)	186.83	1.4	175.14	118.48	150.22	186.20	1.4	2.84	184.17	172.24	117.15	148.41	183.57	192.73	175.67	184.36
Europe Ex. UK (505)	151.63	1.1	142.14	96.16	121.92	129.45	1.1	2.49	149.98	140.26	95.40	120.86	128.11	158.12	135.94	143.18
Pacific Ex. Japan (279)	260.24	1.3	243.96	165.03	209.26	232.05	1.4	2.80	257.00	240.35	163.48	207.10	228.91	296.21	220.63	220.63
World Ex. US (1636)	170.67	0.5	160.00	108.24	137.23	130.52	0.7	1.95	169.21	158.24	107.63	136.35	129.60	176.85	145.58	161.93
World Ex. UK (1947)	174.01	1.1	163.12	110.35	139.91	145.23	0.9	2.08	172.14	160.98	109.50	138.71	143.87	178.59	155.96	167.46
World Ex. So. Af. (2092)	175.15	1.1	164.22	111.10	140.86	147.88	1.0	2.27	173.31	162.06	110.24	139.65	146.40	180.03	158.54	169.50
World Ex. Japan (1683)	187.41	1.2	175.68	118.85	150.69	177.21	1.2	2.80	185.10	173.10	117.74	149.16	175.06	195.20	176.34	179.40
The World Index (2151)	176.06	1.1	165.07	111.67	141.58	148.88	1.0	2.27	174.20	162.92	110.81	140.38	147.43	180.80	158.85	169.70

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